Multi-Unit Franchisee

Q3 | 2020

COPING WITH COVID

MUFs SPEAK OUT ON COVID-19
How 17 franchisees are riding out the pandemic pg. 06

MULTI-UNIT 50
The most "multi-friendly" brands in the U.S. ranked pg. 46

THE PPP FLEXIBILITY ACT
Borrowers buy more time and flexibility to spend funds pg. 52


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CONTENTS

Multi-Unit Franchisee | Q3, 2020

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FRANCHISING RISES TO THE OCCASION

Nothing I can recall in my lifetime can approach what it's been like living through Covid-19 these past months. The sheer number of people sickened by this scourge is difficult to comprehend, and the deaths heartbreaking. By mid-July, in the U.S. alone, the reported death toll was approaching 135,000—and, for the first time since the CDC began reporting daily numbers in mid-March, new single-day cases in the U.S. topped 60,000.

Beyond the enormous human toll of this disease is the gargantuan cost to the world economy. Companies large and small have seen customer numbers dwindle as stay-at-home orders virtually shut down communities, ours included. Franchisees furloughed or laid off employees as they shuttered stores, reduced services, and sought ways to stop the financial hemorrhaging from taking them under. For a time, things were looking up with declining numbers and phased reopenings across the country, but new spikes across the Sunbelt from Florida to California have given us the new term "reclosings."

We know it will take time to recover, reset, and rebuild. But nowhere has the resolve, determination, and optimism of businesses been more evident than in franchising.

For almost four decades I have watched the franchising community step up again and again to provide solutions and aid in times of need, always coming through with a spirit of innovation, dedication, and determination. 9/11 in 2001? Franchising was there. Hurricane Katrina in 2005? Franchising was there. The Great Recession of 2008? Franchising was there. You never have to look far to see those in franchising say, "We can handle this, and somehow we'll make it through to the other side."

Locally in communities everywhere, franchisees are doing everything they can to keep their doors open, their employees on the payroll, and to continue providing their products and services to customers. The spirit of innovation was thriving as restaurants began offering new or enhanced take-out, drive-thru, delivery, and pickup services.

As a media company, we've also had to innovate, rescheduling 3 conferences this year because of concerns for attendees and staff. Moving these conferences, which represent a significant part of our annual revenue, has forced us to find new opportunities and ways to serve our customers, too. Necessity is often the mother of invention.

As a content provider involved in every category of franchising, we receive hundreds of press releases each day on the business of franchising. In addition to seeing innovation in all sectors, it's truly inspiring to see the number of franchisees supporting their local communities, even as they work limited hours with limited revenue. As entrepreneurs, we must keep an eye on the future to stay relevant, survive, and grow.

Perhaps most inspiring was seeing franchisors and franchisees step up to help healthcare workers and first responders. Brands donated money and supplies, and franchisees donated products, services, and their time to their communities. I saw story after story of brands providing financial assistance, food, and other help to those working hard on the front lines of the pandemic. And I'm still seeing this as I write, so many long months later. For me this is the True Spirit of Franchising.

Since mid-March, we've been asking multi-unit franchisees what it's been like for them, from PPP to PPE, from surviving today to planning for tomorrow. In this issue, you'll find selected responses from all types and sizes of franchisees. We hope what they say is helpful, useful, and sheds some light in a dark time.

I know the human spirit will endure as it always has, and that we will get through this pandemic as humanity has done so many times before.

Therese Thilgen
CEO

Therese Thilgen

STORIES FROM THE FRONT LINES

Multi-Unit Franchisee Perspectives

During the Covid-19 pandemic, we have been in constant touch with franchisees, asking them what they're doing to get through the crisis and—hopefully—come out the other side whole. These operators and their employees are on the front lines of business during a public health and economic crisis that continues to affect every aspect of life in the U.S. Throughout, they're doing everything they can to keep the cash flowing, support their employees and communities, and, for those allowed to conduct business, to keep their customers as safe as possible.

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MICHAEL CHALMERS

Owner
Spherion Staffing Services

Units: 4
Age: 47
Years in franchising: 10
Years in current position: 10

Michael Chalmers operates four Spherion Staffing Services offices in Alabama and Georgia. He's not only seen how the pandemic has affected his business, but also how it has affected the companies he works with, matching job seekers and employers. While his own business is down around 20%, he says about 60% of the businesses he helps staff have not had to lay off any employees. He and his 16 employees, who have been working from home since early April, are staying close with twice-daily phone calls.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
As the owner of multiple Spherion offices in Georgia and Alabama, two states that had stay-at-home orders, it has certainly had an impact. My offices have seen of drop of about 20%. However, we do work with several businesses that are essential. Overall, about 60% of the businesses that we help staff have not had to lay off any employees. Everyone is doing everything in their power to keep their workforce employed.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
Our four offices have been working from home since April 6—which is about 2 weeks before the mandated stay-at-home orders. Recruiting is a very personal industry. This is new to us, but Spherion has provided a plethora of virtual tools to make it easier. For any on-site work our team has to do, we've been working to provide PPE where needed. Before Covid-19, I had 16 employees and have successfully worked to keep all 16. Beyond working remotely, we've been strategic in how we are working together to make sure we're supporting one another. Since there are peaks and valleys in terms of employment and job markets, our staff members have been split into pairs in different geographies to make sure everyone is set up for success and to spread out the business. This cross-collaboration has allowed team members to rely on one another for resources, share best practices, recruit with each other, and support the others' needs to fill customer orders, onboarding, and hiring needs.

We're staying close as a team with two daily calls, one in the morning and one in the afternoon. We use this as an opportunity to share solutions, ask questions, and stay engaged with one another. For example, someone is assigned to be the "DJ" every day, and that person is in charge of the theme song for that day. We also have a "Bring Your Pet to the Call Day." It's been a fun way of staying connected, engaged with the team, and making sure everyone feels comfortable and secure in their job. This year marked our 10-year anniversary, and we were planning to do a large community giveback campaign to celebrate. While we definitely were disappointed about having to put the anniversary campaign on hold, we've instead invested in our employees, and keeping them employed has become the first priority. Once we're through this, we do plan to invest in our community again as we all rebuild.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
The Spherion leadership team was very proactive and began voicing its Covid-19 response within a week of concerns about the impact of the virus on the U.S. The franchisor's support goes far beyond the financial concessions. This has been a beyond stressful time for small businesses. I've always had plans for every situation and scenario, but a health pandemic was never something I anticipated. Since the start, Spherion has held weekly calls for owners and has poured so much time into helping us navigate the legislation and resources available. They've truly held our hand through this and have gone above and beyond to be a strong, supportive partner. I can sleep at night because of them.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
The employee bonus deferral has been pushed to the end of the year. Also, I took a cut to my personal salary so my employees' salaries could remain the same. Through all of this, my employees have remained my first priority, and we will continue to do everything in our power to keep them employed through this

crisis. We're trying to extend our support to employees beyond their professional duties right now as well. We're trying to keep them engaged and keep morale up, while also acting and communicating with full transparency. For example, we hand-delivered our team members cookies last week to show them our appreciation—while remaining 6 feet apart, of course. As their employer, I'm also making personal calls to make sure they're doing okay, feel supported, and reassured. In addition, I am working to provide them with the guidance and resources necessary, as well as making accommodations for them when needed. For example, since several of our team members are mothers with children still in school, we began working from home to ensure they did not have to pay for childcare costs when schools shut down. Simple things like that go a long way.

WITH THE HELP OF SPHERION, WE ARE PARTNERING WITH OUR CLIENTS AND EMPLOYEES TO ENSURE A READY SUPPLY OF PROPER PPE AS THEY ENTER BACK INTO THE WORK-FORCE OR BEGIN TO FOLLOW NECESSARY COUNTY OR STATE REQUIREMENTS.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
We're staying in constant contact with both clients and candidates right now, and are trying to be reassuring. In those industries that are deemed essential and are having trouble meeting the staffing demand, we're working hand-in-hand with them to help them fill their needs. We're providing PPE to those essential employees to keep them safe and are also providing our clients with resources to keep them informed. They are navigating Covid-19 as a business, just like we are. Our value to our clients and candidates isn't inherently tangible, so we're making sure they stay informed by providing resources on proper hand washing protocol, guidance on navigating financial relief resources, etc. As we go through this, the most important thing is to know that Spherion cares—we care about our customers, employees, and community. We are local and we are human-focused. We will carry that same approach with us into the next phase of our business beyond Covid-19. As a human-focused business, we will use this experience to continue our relationships and build strong foundations.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
Luckily, we have not yet had to make any changes to our supplier relationships. Spherion went through a crisis planning session to develop a course of action for each office at the local level—my plan is percentage-based. Thankfully, I have not reached that number yet, but if I were to, ceasing our advertising and asking our landlords for rent forgiveness would be two of the next steps.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?
In addition to receiving a 90-day deferment through our bank, we're also reviewing and evaluating the government programs to see what makes the most sense for our business and employees.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
From the franchisor perspective, I've been truly impressed with their response thus far. All I would ask is for their continued perspective and support. In terms of government, I do feel that they've done the best they can to support small businesses with such a strong demand and quick turnaround. I think we all want to get back to business as normal, and Georgia appears to be heading in that direction. There's no perfect way to navigate this pandemic as a business or as a government. But one thing that would make me feel much more secure as a small-business owner is having access to testing to ensure that all of my employees, candidates, and clients are safe and remain healthy when they get back to work.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
One thing we'd like to implement as we reopen is to make sure PPE is available and provided to protect our people. We want them to feel comfortable knowing they can get back to work safely. With the help of Spherion, we are partnering with our clients and employees to ensure a ready supply of proper PPE as they enter back into the workforce or begin to follow necessary county or state requirements. We have restructured our offices to include a smoother flow, allow for social distancing, and have added hand sanitizing stations, regular office sanitation, and are requiring facial coverings. Spherion also created a robust "Back to Work" process and protocol for franchise owners to leverage, which has been a valuable resource for us to ensure that we are keeping our employees safe and following the mandates of local and state governments. ■

MITCH COHEN

Franchisee
Jersey Mike's Subs, Sola Salon Suites, PerforMax Franchisee Advisors

Units: 3 Jersey Mike's Subs, and the rights to 6 Sola Salon Studios
Age: 58
Years in franchising: 37
Years in current position: CEO of Management 360, SAMM Property Mgmt, and Partner in PerforMax Franchisee Advisors

Mitch Cohen has been in franchising for nearly 40 years. Today he operates 3 Jersey Mike's locations in Long Island, New York. He recently signed a 6-unit agreement with Sola Salon Studios. He also is a founding partner of PerforMax Franchisee Advisors, a team of experienced multi-unit franchisees who provide operator-focused strategies to improve franchisee performance, engagement, and trust.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
Our 3 shops are down about 25% in sales since March 13. We've had a few employees go out on unemployment, but for the most part everyone is still working. April and May were a big surprise to us: we saw sales grow, and our comps have been either flat or down less than 10% since March. We had all but one employee back to work before even reaching Phase 2 of reopening.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
We are working in the communities more now than ever before, using social media to let our guests know that we are following the CDC recommendations. We have calls with our staff on a regular basis to make sure they are doing alright at home, providing help there if we can, and making sure they feel safe working in our shops. We continue to work with our communities and have partnered with local service businesses and sport teams to provide meals to the NYPD, FDNY, local testing centers, and employees of senior living facilities, totaling more than 7,700 meals so far. We've added more safety and sanitation procedures to match the CDC and local requirements, and we've made custom-made masks a requirement to our uniform to ensure the safety of our employees and guests.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
Jersey Mike's has been helping with ad fund deferments, $1,000 per location, to offset donations of food. They've altered TV advertising and are sharing in the discounting programs they have run nationally. The company continues to be a great partner in helping us with daily communications on what is necessary for us to meet CDC requirements. And they've made sure that the delivery of our product was not interrupted while production plants were shutting down because of the virus.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
We have given our employees bonus pay during this time. We have sent them home with food and made donations to family members outside their household. We continue to work with them to ensure they are safe, and if they need any support with food or PPE we have supported them—along with the extra pay to all those who have been working through this crisis.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
We have had 50% off Thursday to Sunday one weekend, 25% off Thursday to Sunday for another, and made a 20% donation to Feeding America food banks. We also offered free delivery for 3 weeks. More recently, we have offered double points for our loyal guests, along with family packs and opportunities to partner with us to feed first responders, and they have really stepped up to help the community.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
We have only one major supplier and they have not offered any relief. The franchisor is working with our vendors to ensure we don't run out of product, so our supplier can deliver on a timely basis.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP, ETC.?
We have received PPP money and it has helped us make sure we have met payroll and our other expenses. I am happy to see that

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*This figure represents the net sales achieved for calendar year 2019 at five (5) affiliate-owned restaurants and two (2) franchised restaurants in the State of Arizona. **This figure represents the EBITDA achieved for calendar year 2019 as a percentage of consolidated net sales at the same five (5) affiliate-owned restaurants and one (1) of the same two (2) franchised restaurants in the State of Arizona. This financial performance representation does not include one (1) franchised restaurant because that franchisee did not provide us with expense information necessary to be included in this financial performance representation. *** This figure represents the Median Initial Investment to open the five (5) affiliate-owned restaurants and two (2) franchised restaurants in the State of Arizona referenced above and includes the Initial Franchise Fee, actual security deposits, leasehold improvements to building, permits and licenses, construction costs, POS and back office computer, audio/visual expenses, fixtures, equipment, opening inventory (food, liquor, restaurant supplies), signage, miscellaneous opening expenses, grand opening expenses, professional fees, uniforms and 3 months additional funds incurred in opening that restaurant at the time it was opened. Each of the included restaurants were open for all of calendar year 2019. This information appears in Item 19 of our Franchise Disclosure Document (FDD). You should review our FDD for details about these results. Your results may differ. There is no assurance that you will do as well.

there was bipartisan support to fix the PPP. And thanks to all the hard work the IFA did to get PPP Flexibility Act passed. We also have worked with our landlords for some relief.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
I would like the PPP program to be more clear so we can understand it. I would like to see funding happen more easily, and for the government to lower the unemployment extra money so people will want to come back to work.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
We have been open through this crisis, so I wouldn't say we are reopening. What we are doing is welcoming back guests who could not get our product during the pandemic by offering take-out, curbside pickup, no-touch pickup, third-party delivery, and great offers along with our guest service. We added bounce-back coupons to every offer good for the months of May and June. We are preparing our locations with the proper PPE and cleaning supplies, and training our staff for when the dining rooms open back up. Our goal is always to make customers feel at home, whether they order take-out or have the chance to dine in. ■

WE ARE WELCOMING BACK GUESTS WHO COULD NOT GET OUR PRODUCT DURING THE PANDEMIC BY OFFERING TAKE-OUT, CURBSIDE PICKUP, NO-TOUCH PICKUP, THIRD-PARTY DELIVERY, AND GREAT OFFERS ALONG WITH OUR GUEST SERVICE. OUR GOAL IS ALWAYS TO MAKE CUSTOMERS FEEL AT HOME, WHETHER THEY ORDER TAKE-OUT OR HAVE THE CHANCE TO DINE IN.

GREG S. CUTCHALL

President, CEO, Founder
Cutchall Management Co.

Units: 13 Sonic, 12 Domino's, 8 Paradise Bakery & Café, 5 First Watch, 2 Jams American Grill, 1 Omaha Design Center, 1 Lo-Lo's Chicken & Waffles
Age: 68
Years in franchising: 47
Years in current position: 32

Greg Cutchall, founder, president, and CEO of Omaha-based Cutchall Management Co., is a multi-brand operator with decades of restaurant experience. Today his locations include Sonic Drive-In, Domino's, Paradise Bakery & Café, First Watch, Jams American Grill, and Lo-Lo's Chicken & Waffles. The fallout from Covid-19 has his casual dining restaurants now doing limited dine-in and take-out orders while his QSR restaurants are carrying the load.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
We are currently back open at 50% capacity limit with disappointing sales. Sales in the first week were 70% down from pre-virus sales, but they are slowly growing. We are currently 50% to 60% down, with take-out accounting for 50% of sales (formerly 5%).

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
We received PPP funds. The timeline for forgivable expenses, at 60 days, was not realistic. The extension to 24 weeks was a significant improvement in keeping restaurants open long term. So was the shift in how we spend the funds from 75/25 to 60/40 to help support the continued large declines in sales and continuing overhead expenses.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
We currently operate under three franchise agreements. Two are quick service (Sonic and Domino's), and we have not requested assistance from them. First Watch has indicated they will review how we are doing in the coming weeks.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
We have assisted furloughed employees to obtain unemployment and continue to pay for their health insurance as before. We are currently experiencing difficulty in getting some employees to return to work because of the $600 federal subsidy to state unemployment. Many are making the same or more by staying home.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
Our suppliers and landlords for the most part have been helpful in working with delaying payments.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?
The PPP is currently keeping us from keeping our restaurants closed. Currently, with 50% occupancy limits and the public's concerns, we are actually losing more money being open than we would if we stayed closed. We feel it's better for our long-term success to stay open anyway so we don't lose longtime loyal guests and staff.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
For the government to extend the 60-day deadline and change the 75/25 percentage, which they finally did.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
As mentioned above, we have reopened. We are taking all measures to make our guests and staff feel comfortable coming to our restaurants. It will, in my opinion, be at least a year to return to former sales levels, and at least 2 years to recover profits lost to closings and slow reopenings (in addition to adding to our debt load). Fortunately for my portfolio of restaurants and our diversification in several segments (QSR, fast casual, and casual dining), we believe we will survive as a company. The QSR divisions have stayed strong throughout the pandemic, partly because of little reliance on dine-in business and a lack of competition, with 70% of the market restaurants closed or offering only limited services. ■

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*This figure is taken from Item 19 of the Crisp & Green 2020 Franchise Disclosure Document, and based on the average gross restaurant sales in 2019 for the three company-owned units open and operating for the entire fiscal year ended December 31, 2019. This information is not intended as an offer to sell, or the solicitation of an offer to buy, a franchise. It is for informational purposes only. We offer franchises solely by means of our Franchise Disclosure Document. Certain states have laws governing the offer and sale of franchises. If you are a resident of one of those states, we will not offer you a franchise unless and until we have complied with applicable legal requirements in your state. See the Crisp & Green Franchise Disclosure Document for more details.

ERIC DANVER

CEO
President/COO PJPA, FGG Spa

Units: 18 Papa John's Pizza, 16 Hand & Stone Massage and Facial Spa
Age: 57
Years in franchising: 25
Years in current position: 25

Eric Danver is a multi-brand franchisee with 25 years in franchising. He began with Papa John's and today operates 18 locations. He diversified from food and operates 16 Hand & Stone Massage and Facial Spas, making him the brand's largest franchisee. However, it's his original brand, Papa John's, that is keeping the cash flowing during Covid-19, as he's had to shutter all his spas for health and safety reasons.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
Our Hand & Stone business is closed and has been since March 17. We have kept all of our managers and regionals on payroll at their full salaries, but unfortunately we had to lay off our other employees. For those who have been laid off, we are working to ensure they can take advantage of all state and federal benefits. For our Papa John's business, we have seen a significant uptick in our business and have been running 30%-plus comparable sales over the past several weeks. This has not only allowed us to keep all of our current employees, we actually are hiring more to keep up with the demand.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
We have been fortunate compared with many other restaurants and businesses with our Papa John's, as this business has no seating and is all delivery and carryout. We also still have monthly membership revenue coming in at Hand & Stone. The Hand & Stone model is different than gyms and most typical membership-based businesses in that our members never lose their packages; they simply roll over to the next month where they can "bank" these services to use in future months. We have opened additional benefits to our members as well, to provide more value for staying with us. We certainly have lost members because of unemployment issues, but the majority of our clients are staying on with us and trying to help us through these extraordinary times.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
Hand & Stone has deferred marketing expenses that are usually billed quarterly, as well as some other small IT fees, but they are still collecting royalties on any EFT revenue. As I mentioned, our Papa John's business is actually doing quite well because of the delivery component, so our franchisor is not giving any relief for obvious reasons.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
For our Hand & Stone team, our 16 managers and 5 regional managers are still being paid. In addition to this, we recently bought 1,200 pounds of flash-frozen chicken and ground beef from a meat distributor and had our regionals race around to all of their spas distributing it. To get a head count, we put the word out through our Slack channels about our desire to do this. Then we did a "no contact" pickup where all of our team members stopped at their spa and got to see their manager and pick up their food. We gave out more than 200 packages of chicken and beef, and our team was just so appreciative of the gesture. It was a good feeling knowing we could do something small to help them through this difficult time. I have also communicated to everyone that if anyone is going through a tough time financially to reach out to me directly. I have been blessed enough to be able to help out a few of these valued team members. Our managers are also staying in constant communication with their teams through Slack and Zoom, and I know our teams appreciate all of this.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
For our Hand & Stone business, we are trying to stay in communication with our clients as much as possible. Our managers are all manning the emails and phone calls, and have done an amazing job in freezing or terminating members when need be, as well as handling any concerns or questions clients may have. For our Papa John's business, there is always a deal to be had, and

> I HAVE ALSO COMMUNICATED TO EVERYONE THAT IF ANYONE IS GOING THROUGH A TOUGH TIME FINANCIALLY TO REACH OUT TO ME DIRECTLY. I HAVE BEEN BLESSED ENOUGH TO BE ABLE TO HELP OUT A FEW OF THESE VALUED TEAM MEMBERS. OUR MANAGERS ARE ALSO STAYING IN CONSTANT COMMUNICATION WITH THEIR TEAMS THROUGH SLACK AND ZOOM, AND I KNOW OUR TEAMS APPRECIATE ALL OF THIS.

our customers are just so happy we have a “no contact” delivery and carryout system in place. We also have been donating a ton of pizzas to hospitals and other places to try to thank our first responders and health care workers, who are just so brave and appreciated.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
On the Hand & Stone front, we are fortunate that the business has a low fixed cost and high variable cost structure, so there are very few vendors we are still paying, other than rent, utilities, etc., and we have been able to keep up on these thus far. In our Papa John’s business, we get all of our supplies from the franchisor, which has done a great job keeping up with demand, as well as stocking up with some of the hard-to-get items like sanitizer, toilet paper, masks, and gloves.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?
We have applied for a PPP loan and are over the first hurdle with the approval process, so we are hoping to get funding in the next couple of weeks.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
To be honest, I am pleased with both. I think Hand & Stone is doing what they can to keep the franchisees supported, and that both they and Papa John’s are doing a great job with communication and providing guidance. In regards to the government, I think under the circumstances they are doing everything they can, and if and when we get funded with the PPP loan, I would bump them up to say they’re doing an extraordinary job. I don’t think there could ever be anything government could do that would be fair to or work for everyone, but the bottom line for me is that although this is beyond anyone’s control, I do believe they get it and are doing what they can to support small businesses.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
Our franchisor at Hand & Stone is having weekly calls with all of the franchise community, and we are in constant discussions on what our business will need to look like upon reopening. I certainly know there will be a lot of consumer concerns for good reason, and we are going to do everything we can to ease these fears in how we do things. The safety of our clients and team members has, and always will remain our #1 focus, but we also certainly want to get our people back to work as well as serve our valued clients. ■

DUSTIN KING

Chief Operating Officer
SE Co-Brand Ventures

Units: 30 Auntie Anne's, 8 Cinnabon, 7 Häagen-Dazs, 6 Jamba, 3 Nestle Toll House Cookies, 2 Carvel
Age: 33
Years in franchising: 11
Years in current position: 4

Dustin King is a 33-year-old, third-generation operator steering his family's snack empire through the Covid-19 crisis. He grew up in the business and has worked in it full-time since graduating college in 2009. Today the family's snack food empire includes Auntie Anne's, Häagen-Dazs, Cinnabon, Planet Smoothie, Jamba, Nestle Toll House Cookies, and Carvel. All told, the company operates just shy of 60 locations and is still intent on growth... soon as the malls reopen!

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
In the 2 to 3 weeks leading up to the governor's shelter-in-place order, we were down about 50% to 60%. It began at about a 20% decrease and continued to drop from there. We opened up about half our stores on May 9. They reopened at less than 50% of comp sales, but have seen improvements every week.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
We are applying for all the government assistance we can and working with our vendors to negotiate extended terms and other payment options. We also started selling DIY pretzel kits for Auntie Anne's, and that's helped a bit. The DIY pretzel kit allows families to create their own Auntie Anne's pretzels at home. We provide all the ingredients needed to make 10 pretzels. It's a great family activity and gives our guests an opportunity to enjoy the product in their own homes.

ARE YOUR FRANCHISORS HELPING KEEP YOU AFLOAT?
Our franchisors have worked to try to reduce monthly fees with partners like our POS provider, digital menu boards, and other vendors who have recurring monthly fees. We have seven different franchisors, and all are working hard to do everything they can to help. We also have reduced royalties and/or marketing fees. In addition, our franchisors are deferring royalties now that we have started to reopen.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
We have weekly group employee filings for three of the four states we're in. We're also doing the legwork to ensure our employees get all the benefits they are eligible to receive. Additionally, we hosted a one-week back-to-work work training and paid our employees for an entire week even though the training itself took just a few hours. It's essential to make sure our staff is properly trained on the new CDC guidelines to return to work safely.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
We are taking catering orders, but most of our malls are closed, and we closed all our locations on March 21. Sales were so low it was actually costing us more money to stay open. As we reopen, we are requiring our staff to wear masks and gloves at all times. We have also put up plexiglass shields at all POS stations to protect the guests and our staff. In addition, we are encouraging tap-in pay.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
We have great relationships with our suppliers. We've contacted them and they've offered discounts and extended terms to try to help us keep as much of our cash reserve in place to reopen our locations.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?
We have worked with our lenders to pay interest for a time, and we received PPP money. We're also grateful for the changes that were passed. We needed a larger percentage to pay rent and are glad to see the extended time period as well.

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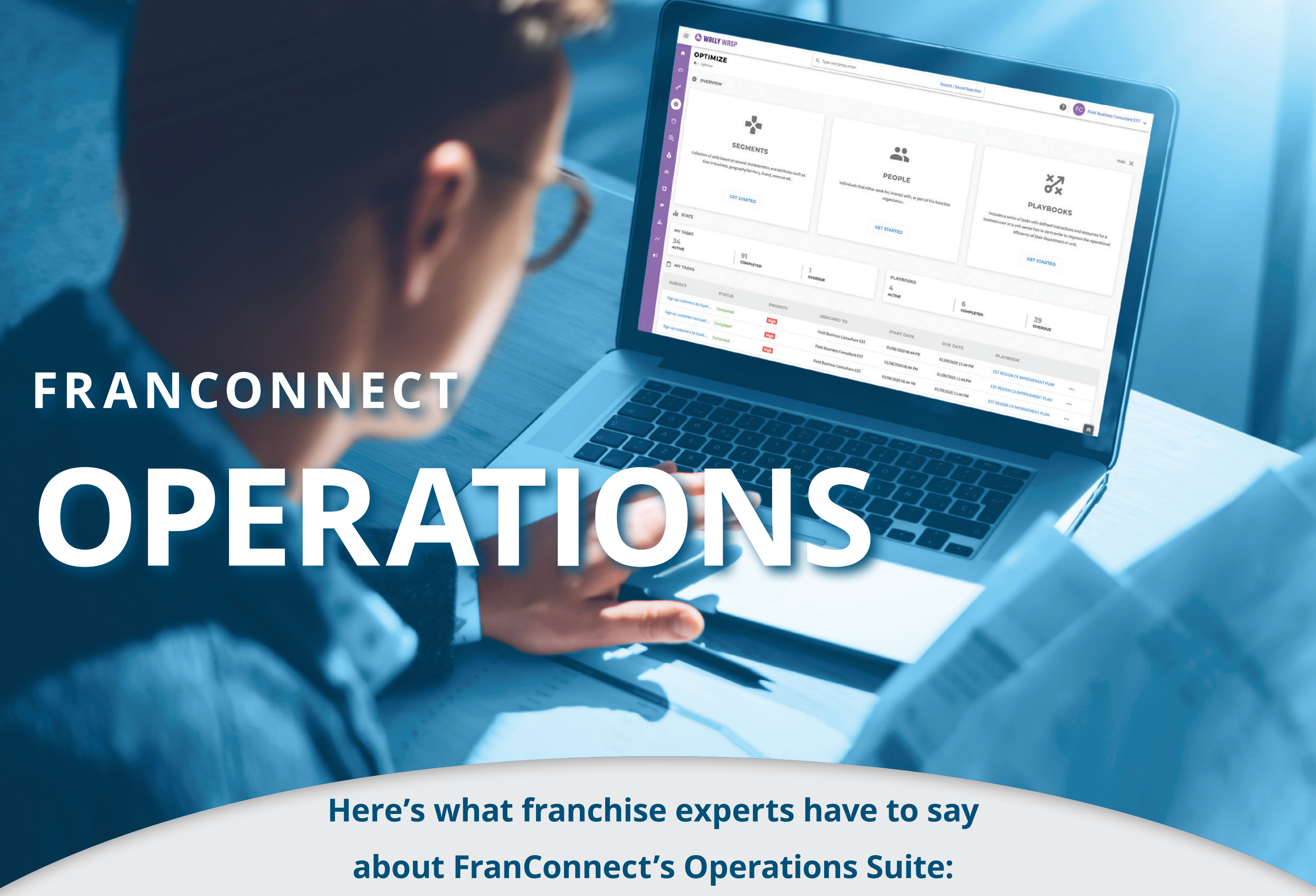
WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
I'd like to see the government work with the insurance companies and require them to cover Covid-19 under the business interruption policy. We pay a lot of money for insurance. There are many things covered under these policies and Covid-19 should not be an exception.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
We worked with our partner zignyl on a 2-week back-to-open syllabus to ensure our staff gets extra training, are aware of the new processes and procedures for sanitation and cleaning, and to make sure we are doing our best to help prevent the further spread of Covid-19. After the training, many of our employees let us know how much better they felt about coming back to work. ■

WE'RE DOING THE LEGWORK TO ENSURE OUR EMPLOYEES GET ALL THE BENEFITS THEY ARE ELIGIBLE TO RECEIVE. ADDITIONALLY, WE HOSTED A ONE-WEEK BACK-TO-WORK WORK TRAINING AND PAID OUR EMPLOYEES FOR AN ENTIRE WEEK EVEN THOUGH THE TRAINING ITSELF TOOK JUST A FEW HOURS. IT'S ESSENTIAL TO MAKE SURE OUR STAFF IS PROPERLY TRAINED ON THE NEW CDC GUIDELINES TO RETURN TO WORK SAFELY.



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LEE KLEINER

Owner
Quest Logic Investments (Dairy Queen), Janes Restaurant Group (Which Wich), Garbanzo Mediterranean Fresh

Units: 3 Dairy Queens, 4 Which Wich, area developer for Garbanzo Mediterranean Fresh
Age: 44
Years in franchising: 20
Years in current position: 20

Lee Kleiner, who has spent two decades in the franchise business with brands including Dairy Queen and Which Wich, has added multiple Garbanzo Mediterranean Fresh locations as an area developer for the brand. When we profiled him earlier this year, he was expecting a banner year. Now, like so many franchisees, he's having to adjust and adapt.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
As an owner of multiple Garbanzo Mediterranean Fresh locations, we've obviously had to adjust how we do business. The first step was to look at how we will keep the employees and guests as safe as possible. We took a hard look at where we were spending our time and effort. After evaluating where things stood, we realized that we needed to restructure and optimize where and how we were investing our time. A lot of it has been on the fly, but we've adapted to the changes as needed. The nature of the business has changed from creating and maintaining a remarkable in-person dining experience to trying to meet guest expectations and curate that same remarkable experience—only now in the off-premises environment of delivery, carryout, and curbside pickup.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
Our first step was adapting our restaurants to new systems and processes to protect our customers and employees. We implemented new safety measures for handling cash, cleaning practices, and how we interact with our customers. Once we ensured that we had the right safety measures in place, we began working on securing the PPP to help our employees get back to work. Then we looked at how we were utilizing our marketing efforts and made adjustments to focus on online ordering. Before Covid-19, third-party delivery was often considered to be excess baggage, something you could get by with or without. Now, it has quickly become the thing that is keeping people's heads above water. As we were analyzing how we do business, our priority was our customers and staff. We have been in constant contact with our staff to keep them up to date on all that we are doing.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
First and foremost, the Garbanzo team has done a great job of providing information, sharing where to go and how to get support, be it weekly calls or email updates, or simply alerts to recently added materials to the Covid-19 Response Resource Dropbox folder. This has been a huge help, and our local team has worked to use all of the assets where we can. Whether it's lending an ear to our stresses and concerns or just checking in every other week, the franchisor is truly showing that they care for us—it's an all-in mentality.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
Following the leadership of our franchisor on the macro level, we've followed their strategy at our locations as well. We understand their concerns and are keeping them up to date on everything we are doing to get them back to work as soon as possible. We're working to connect with them and share resources to best help them.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
If there's a silver lining to the whole Covid-19 process, it's been our increased communication with customers. With Garbanzo, we use Paytronix to power our affinity program. That's our app, our rewards program, and our guest email database. We've been fortunate to have a very engaged base. At the onset, we played around with the different offers to let people know it was okay to order from us. We initially offered 50% off online orders to get people used to that method of ordering. Now we have backed that

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down a bit as the "new normal" set in. We also created a "middle" version of our catering called "Family-Style Take Home," positioned between our individual retail and full buffet-style catering. We are also currently offering 20% off online orders, including Family-Style Take Home. Additionally, we are sharing information on community value offers to help the local community, such as bundled reduced cost or even free meals for front-line workers like nurses—plus offers for those hit hardest, like hospitality brethren and teachers. While we are in regular contact with our guests, we have amped it up, and they appreciate the correspondence. As a result, we will likely continue this cadence post-Covid-19.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?

With Garbanzo doing the right things on the back end, our lives are easier on the front end. With the franchisor managing these relationships, it's a huge weight off our backs. We've been honest with all of our suppliers. While I've heard horror stories about others in the business, we've been as transparent as possible and our suppliers have given us some wiggle room. Everyone has been flexible and willing to work with us.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?

When reviewing all the relief program options, applying for PPP made the most sense. We are all working together, and our goal is to get that money to keep our employees employed. We've been fortunate that we haven't completely closed down as a result of Covid-19. While our dining rooms are closed until further notice, our delivery, carryout, online pickup, and curbside assistance options are keeping us open during our normal hours of operation. With the PPP money, we will have more flexibility. Hopefully, our biggest problem will be how to keep our restaurant employees busy. Certain aspects of their jobs have become slightly obsolete. For example, you can't go into office buildings to hand out flyers since there's no one in offices right now! But we will find ways to give them work, even if it's making cold calls to potential customers.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?

Our franchisor has been great about regular check-ins to show that people matter—not just royalties. I hope that going forward, Garbanzo continues the rapid iteration Covid-19 has necessitated, to push the envelope far outside the norm and continue trying different ways of doing business now and in the future. Things will be different post-Covid-19, but there are other ways to handle it, and I'm excited to see how Garbanzo continues to experiment and innovate. As I've been innovating with the promotions on a local level, I'd love to see Garbanzo continue to be on the cutting edge.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?

We will be following the recommendations of our local government officials. Everyone is playing by the government's rules, and we are ready to play the long game. Our guiding principle in all of this is truly the health and safety of our team, customers, and community. Ideally, our Garbanzo business will rebuild the way we originally built it: executing great food and treating people right. We might lose some of our catering business, since people aren't sitting around offices eating lunch these days. However, things will return to normal. We just need to weather this storm.■

DAWN LAFREEDA

President, CEO
Den-Tex Central, Inc.

Units: 90 Denny's pre-Covid; closed several permanently post-Covid; 86 open as of 5/22/20
Age: 59
Years in franchising: 34
Years in current position: 34

Covid-19 has dealt a heavy blow to Dawn Lafreeda, Denny's largest individual franchisee, and one of the largest female restaurant franchisees in the U.S. At the outset of the pandemic, her restaurants experienced business drops as much as 90 percent. She's had to close some locations temporarily, and permanently close others. As she works to stretch every penny, she also must deal with the different shutdown rules and reopening schedules in the various cities and states where her Denny's are located.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
We were down anywhere from 75% to 90%. We had locations that were further down, which we chose to temporarily close as it was just too costly to keep them open. We also sadly have some stores that will never reopen.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
We are monitoring our business on a daily basis and making decisions as to hours of operation, number of staff to retain, and whatever other survival tools we can use. Each city and state has different rules, so we are constantly strategizing to make sure we can stretch every penny as far as we can until we are permitted to reopen and at a capacity that is sustainable.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
Our franchisor is helping where they can, but they are in the same boat we are in. We have gotten some royalty and advertising relief and rent deferrals for locations that we lease or sublease through them. They have been aggressive in doing all they can to help us to stay in business and stay safe during this unusual and unpredictable time. They are available 24/7 and have been fast thinking and fast moving in navigating through all the areas of the restaurant business we need to tend to—from keeping us up to date on PPP info, new product initiatives, a less complicated and more flexible menu, an increased digital messaging platform, signs and banners to notify our customers, sourcing new safety products we now need, and new technology enhancements, to name a few. They have developed reopening kits and tools and have been very involved and proactive in communicating with us and our management teams about all the new government policies and changes, so that when we do get permission to reopen we are ready and fully informed to open safely.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
We are trying to be as sympathetic and flexible as we can. If employees are uncomfortable coming to work, we encourage them to do what is right for them and their families. We are taking all the proper safety precautions, and we are keeping as many employed as we possibly can, even though we are on limited hours and resources with our dining rooms on limited capacity (while now finally starting to reopen in many states). We are paying for their insurance so if they become ill they will not have to worry about coverage, and we are keeping their tenure and benefits intact while they are on furlough. We are trying to save our company so they have a job and security to come back to.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
We are re-engineering the way we do business to make it easier for our guests to dine with us and to make them feel safe in the process. We have enhanced our online ordering, our delivery methods, curbside pickup, and we have even added a drive-up option in some locations. Additionally, we are adding new items like bundled meals and family packs to make it affordable to still order food while having to dine at home. We are mindful that a lot of people do not have money right now, and we are working on some special discounted food offerings.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
We made payment arrangements or deferrals with every supplier we could. Most all have been cooperative, understanding, and patient in waiting for their checks. A big problem we are going to have is that when we reopen, all these deferrals come due. With opening at limited occupancy in Texas for now, reduced

capacities in other states that have not even been announced yet, or a resurgence of cases in states that allowed reopening, we are going to struggle. There is no way we can make money with these limitations, so we will have current bills due, as well as the deferred bills, and extremely limited sales to pay them with.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?

We applied for the Payroll Protection Program (PPP), contacted all of our lenders to get forbearance for 90 to 120 days, reached out to all of our landlords and creditors to work out arrangements and payment plans, filed a claim with our insurance carrier, and stopped all discretionary expenses.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?

What I would like to see from the franchisor, and I think we will see it, is post–Covid-19 sensitivity going forward. We cannot be held to all the same rules post–Covid-19 that we were pre–Covid-19. What I mean is that they need to be flexible with hours of operation, staffing levels, menu size, remodels due, and capital expenditures for a period of time so we can recover. They need to remember we have no money when they want to roll out new initiatives that may not be a high priority at this time. Just the cost to reopen after all of this is a huge expense to every franchisee in a time when there is no business or very little business. They need to be cutting edge, resourceful, and innovative to drive traffic into our stores.

From our government, we needed the recent revisions to the PPP program. With only 8 weeks to use the funds and our restaurants still closed or at limited capacity, it was insufficient help. Fortunately, the time frame was expanded to 24 weeks from disbursement, so our restaurants hopefully can open with enough customers to bring our employees back at a full-time rate. I believe December 31 is a good and fair date. They also needed to revise the 75/25 rule—which I believed should have been changed to 50/50, but is better at 60/40. So now 40% can be allocated for utilities, rent, and interest payments. In my company that number is far greater than 25%, so it was going to be impossible after not making any money to take on a new note payment when we already were playing catch-up on rent and all the other arrangements we made with our vendors while closed. I need government to understand that we cannot make money at partial capacity. We have to find a way to be able to put butts in seats because we cannot keep our employees and pay our bills if it costs more to be open than to be closed. I would like our government to force the insurance companies to pay the business interruption claims for Covid-19 shutdowns.

Last, I would like to say that we do not know what is in store for us, as there has never been a disaster like this in our lifetime. We survived 9/11 and were down significantly in sales, but our restaurants were open so we could strategize, cut back, and decide how we were going to survive. With the financial crisis of 2008, we couldn't borrow money, Americans lost a large portion of their retirement accounts, and we lost sales—but we were still open, so we could get creative with discounting and in our offerings to try to build traffic. In 2020 with Covid-19, it has all been 100% out of our control. It is one thing to have a restaurant closed for a fire or a tornado, it's another to have every single business you own closed down with no real idea of when you're going to reopen, what capacity you'll be allowed, and how many guests will want to come through your doors. Meanwhile, your rent, utilities, property taxes, mortgages, insurances, etc. all still must be paid. We are going deep into debt and financial loss over no fault of our own.

I think the media has frightened people in their attempt to educate, and I think we have been closed so long that people have changed their patterns. It is going to take time for Americans to feel comfortable going out again. I am sure we will emerge stronger, but it will not be without a lot of hard work, financial setbacks, and, sadly, a loss of many of our businesses. In my fleet of 90 I am going to lose several to keep the health of the others (4 so far). My big concern for franchisees and business owners in 2021 is that while we've made all these arrangements to survive while we are closed, we eventually have to repay all that money—in a year with no profits, on top of going deep into debt to survive. There is only the faintest glimmer of hope we will see business interruption insurance money, and I already am seeing property taxes go up when I am quite certain my property is worth less than last year. There are going to be huge inflationary consequences from all of this, and it is going to take a long time to catch up and recover if we do not have sales. We need to be prepared that the hard times are nowhere near over yet. The methods for determining essential services was inconsistent and unfair. Grocery stores were packed with no distancing while dining rooms sat vacant. We have lost key seasonal opportunities that carry us through the lean times: spring break, Easter, Mother's Day, Memorial Day, Father's Day, and July 4. Without travel, I expect summer sales to be dismal. There are no festivals, concerts, or sporting events, etc. to help drive traffic. It is going to be a long, hot summer, and with the threat of a fall return of Covid-19, a long cold winter. We need help, lots of help.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?

We are looking at all options, with the number-one priority being keeping our employees and guests safe. We are putting new practices in place for social distancing and safety for all. We want people to feel good coming to work and coming to dine. I think once everyone starts to feel safe, we will get back to some kind of new normal. We realize our business is not going to rebound the minute we open the doors, and we must be prepared to make rapid adjustments, whether it be our menu, hours of operation, employee flexibility, etc. We have a new training piece that is being implemented so our employees know how to handle this new way of life post–Covid-19. ■

ELLIE & JUAN LAMONACA

Owners
Conserva Irrigation of Fort Lauderdale

Units: 3 territories
Age: Ellie 30, Juan 32
Years in franchising: 2
Years in current position: 2

Ellie Lamonaca and her husband Juan are Millennial franchisees who launched their Conserva Irrigation franchise in South Florida 2 years ago and today operate 3 territories. Despite the Covid-19 pandemic, April was their highest-grossing month since launching in 2018. They are on track for a 50% year-over-year sales increase and already rank 6th in annual sales within the system.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
While many business owners have experienced a decline in sales or have had to shut down completely, Covid-19 has had the opposite effect on our business. Being deemed "essential" in Florida, we were allowed to stay open to serve our customers' needs, which increased as soon as the shutdown was implemented in South Florida. In fact, we experienced some of our highest-grossing months since the launch of our franchise 2 years ago. The spike in business also allowed us to hire additional staff and grow our team.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
We've hired additional staff to help field the additional business and added more vehicles to our fleet to ensure each truck was limited to one technician. Before Covid-19, techs would often ride in pairs. Today, however, even our junior techs are driving their own trucks. We also implemented all recommended CDC guidelines into our day-to-day operations: all technicians are required to wear masks and gloves at all times, sanitize their truck and equipment in between appointments, and stand 6 to 10 feet away from customers. We also leveraged our technology assets to begin sending all proposals, invoices, and receipts by email to limit physical touch and contamination. We were previously providing hard copy estimates.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
Outdoor Living Brands has been there for us every step of the way. From the very beginning, they've provided the entire network of franchisees with a communication strategy including staff talking points, Covid-19 handouts, customer emails, and an operations manual that met CDC guidelines. They've also been assisting franchisees with the PPP application process and informing us of updates on a weekly basis. Luckily, given the influx of business we've experienced, we didn't personally use the program, but there are franchisees who have.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
While we've been considered an essential business, we've respected the concerns of our employees and have given them the option to stay home with family—with job security—should they choose to return. We provide all protective gear and supplies, and encourage our employees to always make their health a priority at the first sign of potential Covid-19 symptoms. They've unfortunately encountered customers who don't take the necessary precautions when in close contact with them. As a result, we've needed to step in and respectfully postpone those customers' appointments to a later date.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
To ensure that our customers feel comfortable and safe, we're limiting their physical interaction with our technicians through the use of technology. As noted above, all proposals, invoices, and receipts are sent by email, and payment is processed digitally with the office. They also have the ability to accept or make adjustments to their proposals by phone or computer. Previously, our technicians would assist with proposals in close proximity to customers. We also significantly increased our communication

with customers to share the steps and efforts we're taking to protect the well-being of both our customers and our employees, and to let them know that their health and well-being are always our number-one concern.

WHAT HAVE YOU DONE ABOUT CASH FLOW, PPP, ETC.?
We've been very fortunate to not require any assistance during this time.

IF YOU ARE IN A STATE THAT REOPENED EARLY, WHAT WAS THAT LIKE FOR YOU?
Fortunately, we were considered an essential business and did not need to close.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
The support from Outdoor Living Brands has been unmatched, and it's times like these that remind us of the benefits of being supported by a franchisor. We share resources, insights, and best practices with both corporate and the entire network of franchisees. Those relationships have been invaluable, especially during an otherwise uncertain time, and have helped all of us effectively navigate the pandemic and ensure we keep our businesses strong. ■

WHILE WE'VE BEEN CONSIDERED AN ESSENTIAL BUSINESS, WE'VE RESPECTED THE CONCERNS OF OUR EMPLOYEES AND HAVE GIVEN THEM THE OPTION TO STAY HOME WITH FAMILY—WITH JOB SECURITY—SHOULD THEY CHOOSE TO RETURN. WE PROVIDE ALL PROTECTIVE GEAR AND SUPPLIES, AND ENCOURAGE OUR EMPLOYEES TO ALWAYS MAKE THEIR HEALTH A PRIORITY AT THE FIRST SIGN OF POTENTIAL COVID-19 SYMPTOMS.

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ASPEN RICKS

Owner/Franchisee
Children's Lighthouse

Units: 4
Age: 38
Years in franchising: 6
Years in current position: 6

Aspen Ricks has a history of community involvement in and around the Kansas City area where she operates four Children's Lighthouse locations. In the past she has put together gift baskets for families in need and hosted food drives at her schools to collect canned and other non-perishable food items for families in need. Ricks says she's always felt called to give back to her community—especially now.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
At Children's Lighthouse, we've been deemed an essential business as we provide care for infants, toddlers, preschoolers, and school-aged children. As with many small businesses, the pandemic has caused a decrease in sales for our school and we had to reduce hours for our employees. Our curriculum and care, however, have stayed the same. While we have reduced class sizes to help practice social distancing, we are doing everything in our power to keep our students on a normal schedule. In times of uncertainty, it's important to provide children with a sense of stability and support.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
We believe that we have a responsibility to provide our community with educational, safe, and dependable childcare. So at our four schools in the Kansas City area we are keeping our foot on the gas and refuse to slow down until this pandemic is over. Like many, we've had to tighten the budget and cut back in certain areas. Where we've kept our focus, though, is on grassroots marketing efforts. We want to ensure that families in Johnson County know we're open and able to care for their children. To keep spirits high and boost morale, we've created a calendar with a daily "fun event." These events keep both our students and employees laughing and smiling and bring a little extra light into the day. Overall, we are staying positive and trying to help our employees and community as much as possible.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
Our team at the Children's Lighthouse corporate office—or Franchisee Support Center, as we call it—have been incredible! They've been extremely communicative and transparent as new information is released. They are holding conference calls with the franchise system, check in with us individually on a regular basis, and provide us with all available programs to help our employees and families. They even cut our franchise royalties fees in half for the month of April. This, along with additional marketing materials and support, has been extremely helpful in keeping our business afloat.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
We care deeply about the safety and well-being of our staff. So we're providing all employees with a face mask, personal hand sanitizer, sanitation wipes, gloves, extra uniforms, and food if they need it. We've made it clear to our team that we are here for them and want to make sure they feel safe, happy, and supported. To keep spirits up, we're also providing lunch throughout the week, offering special drinks and treats, as well as incorporating fun activities.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
We want to make sure that all those who need child care during these uncertain times have access to it. So we are offering discounted enrollment rates and providing families the option to change their schedule to part-time. We are being as flexible as possible to accommodate the needs of those in our community. We have also provided all of our families with personal hand sanitizer and sanitation wipes.

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ADVENTURE PARK

Nearly half our franchisees are multi-park owners.

Urban Air combines the uniqueness of its family entertainment centers and a proven approach ideal for prospective owners with multi-unit, remote ownership goals. The result is a win-win for both the park guest and the owner/investor.

Ranked #1 in the Entertainment Category by Entrepreneur 2020, Urban Air is focused on non-stop innovation, patented technology, and leadership-driven operational success that translates to high ROI, easy-to-execute, thrill-seeking action!

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ENTERTAINMENT
Entrepreneur
FRANCHISE 500
RANKED #1 IN CATEGORY
2020

#80 OVERALL FASTEST GROWING
Entrepreneur
FRANCHISE 500
RANKED
2020

$665,218 (31%)
MEDIAN EBITDA

49%
MULTI-PARK OWNERSHIP

50%
REMOTE OWNERSHIP

$2,356,504
AVERAGE UNIT VOLUME

OUR FRANCHISEES OWN
1-13 parks each!

Disclaimer: this information is not intended as an offer to sell, or the solicitation of an offer to buy, a franchise. It is for information purposes only. Currently, the following states regulate the offer and sale of franchises: CA, HI, IL, IN, MD, MI, MN, NY, ND, OR, RI, SD, VA, WA, and WI. If you are a resident of one of these states, we will not offer you a franchise unless and until we have complied with applicable pre-sale registration and disclosure requirements in your jurisdiction.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
The City of Gardner has waived all electric fees for a month.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?
We have applied for the PPP, but we're still waiting to receive funds.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
I would love to see the extra weekly $600 unemployment check also be given to essential workers on the front line.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
We had been hoping that by May, things would start to go back to normal and we would be operating as normal. That said, we intend to closely follow any updates regarding state and federal mandates. Before the coronavirus pandemic, our schools followed strict health and sanitation practices that have since been increased. We intend to maintain that standard moving forward to reduce the spread of germs and to ensure the well-being of our students, families, and staff. ■

WE CARE DEEPLY ABOUT THE SAFETY AND WELL-BEING OF OUR STAFF. SO WE'RE PROVIDING ALL EMPLOYEES WITH A FACE MASK, PERSONAL HAND SANITIZER, SANITATION WIPES, GLOVES, EXTRA UNIFORMS, AND FOOD IF THEY NEED IT. WE'VE MADE IT CLEAR TO OUR TEAM THAT WE ARE HERE FOR THEM AND WANT TO MAKE SURE THEY FEEL SAFE, HAPPY, AND SUPPORTED. TO KEEP SPIRITS UP, WE'RE ALSO PROVIDING LUNCH THROUGHOUT THE WEEK, OFFERING SPECIAL DRINKS AND TREATS, AS WELL AS INCORPORATING FUN ACTIVITIES.

SCOTT ROHRER

President, Owner
One Hour Heating & Air Conditioning, Benjamin Franklin Plumbing, Mister Sparky Electric

Units: One Hour Heating & Air Conditioning (8 territories), Benjamin Franklin Plumbing (3 territories), Mister Sparky Electric (3 territories)
Age: 49
Years in franchising: 16
Years in current position: 16

Scott Rohrer's grandfather started a plumbing and heating company in Pennsylvania in 1959. For decades the family served customers in the Lancaster, Pennsylvania area. "My grandfather started the business, and then my dad came on after school, and then I came on after school," says Rohrer. "It's been a great journey as a family business." The only thing that changed during all that time was in 2003 when Rohrer and his dad decided to convert the family business to Mister Sparky, Benjamin Franklin Plumbing, and One Hour Heating & Air Conditioning. The business now spans 5 counties in Pennsylvania. Then came Covid-19. The usual "spring rush" for his HVAC and electric brands never materialized, but demand for plumbing services remained steady.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
To varying degrees. The obvious personal interaction of the home services industry is the most visible, in that our technicians wear masks, gloves, and are extra self-aware of how to interact with customers. We have also had to navigate employee time off because of exposure or possible exposure, which has affected our ability to serve customers. The biggest financial impact to the business has certainly been the customers' hesitancy to allow us in their homes. A substantial part of our HVAC business during the spring is driven by preventive maintenance, which typically supports our installation/replacement department. This is where we saw the biggest hit. Customers often requested to delay the appointment for 30 days or more, which pushed the "spring rush" later into the year, or in some cases eliminated it completely. As such, we are dealing with the compression of the season by attempting to handle both preventive maintenance and demand calls in a timely manner. Our electrical business also saw a substantial drop in "voluntary calls," which typically include ceiling fans, light upgrades, or general convenience items that customers seemingly were willing to wait for until a later date. However, our plumbing business barely noticed a bump, which continues to reinforce our belief that plumbing needs are typically the most pressing and life-interrupting items for customers and require immediate response.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
Besides some of the factors described above, our biggest solution has been to "keep on keeping on." We've tried to create a consistent and positive work environment for office and field employees. We received great feedback and gratitude from employees who were simply thankful to have a job, or in some cases a place to go that felt "normal." We became dynamic in our communication, frequently doing mass video announcements "from the owners." We emphasized our continued desire to serve our customers as they also were experiencing the same challenges. As we begin to return to normal, we still have some differences that will eventually fall back in line, but our teams are motivated and determined to continue the momentum we have into the future.

HAS YOUR FRANCHISOR OFFERED YOU ANY KIND OF ASSISTANCE?
Authority Brands took a key role in assisting with the HR side of the puzzle, but perhaps even more important were the government and financial changes that were—and still are—coming at a rapid pace. The government was changing guidelines, assistance, and direction on a daily basis, and it was very helpful to have webinars, emails, and general communication and support from our franchisor. The corporate marketing team also provided assets and guidance on relating to the new marketplace, which was important since there was widespread confusion in the community as to who was open and who was not.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
We've made several attempts to keep morale high. We really focused on our workplace culture during this time and created daily trivia and other fun games. This served to create a more strongly knit team, as well as serving as a bit of a distraction from the daily chaos. In the field, we hosted a drive-thru breakfast in lieu of our typical sit-down breakfast. We started hosting live video training sessions, and we tried to connect in the parking lot with technicians, plumbers, and electricians as much as possible.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
Our biggest communication to our customers has been that we are still here and ready to serve. We have made some occasional payment accommodations for those in need, but in large part our customers have been pleased to know that we are still operating.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
There has not been a significant change in this area for us.

WHAT HAVE YOU DONE ABOUT CASH FLOW, PPP, ETC.?
We are continuing to explore our options for all programs.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
We appreciate the steadfast focus and support put forth during this time by Authority Brands, and desire to see that continue, so our entire network of franchisees can keep our businesses strong and profitable.

IF YOU ARE IN A STATE THAT REOPENED EARLY, WHAT WAS THAT LIKE FOR YOU?
Pennsylvania was not a state that reopened early. However, we were deemed an essential business so we never needed to close.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
We never closed down and remain as committed as ever to continue serving our community. ■

OUR BIGGEST SOLUTION HAS BEEN TO "KEEP ON KEEPING ON." WE'VE TRIED TO CREATE A CONSISTENT AND POSITIVE WORK ENVIRONMENT FOR OFFICE AND FIELD EMPLOYEES. WE RECEIVED GREAT FEEDBACK AND GRATITUDE FROM EMPLOYEES WHO WERE SIMPLY THANKFUL TO HAVE A JOB, OR IN SOME CASES A PLACE TO GO THAT FELT "NORMAL."

JOHN SAHAKIAN

Owner
Title Boxing Club

Units: 2
Age: 52
Years in franchising: 6
Years in current position: 6

John Sahakian operates two Title Boxing Clubs in Maryland—or at least he did until Covid-19 shut them both. He's received PPP and county money to help him pay employees at both clubs, but missed out on additional aid from the state when the funding ran out. His franchisor has helped keep members engaged by making Title Boxing Club on Demand available free, and by reducing royalties—but will it be enough?

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
Dramatically. We have a few members at each club opting in to keep paying us more for support, but I would say 90% to 95% drop-off.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
I am paying my two managers as we are still doing things through social media for both clubs to try to keep members engaged. We are paying a few trainers to tape classes from home that we are posting. Otherwise I personally am using what I have in my savings to pay my own bills.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
Their help is minor. They gave us a 30% reduction in royalties about a week or two before things got really bad and everyone closed. They have stayed at that percentage. They will give it to us for another 4 weeks after we reopen. I felt it could have been more. They did give us Title Boxing Club on Demand, which was an app the company already had running. They gave our members free access to it temporarily, which was very helpful.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
There was only so much I could do at the beginning. I have a few of them teaching classes and I bought everyone a nice dinner for two at a local restaurant to support small businesses, but also to do something nice for the employees. I did pay my two mangers as there was still work to be done, but it is limited. I recently got approved for the PPP money for both clubs, so will start paying my employees again.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
We are doing virtual classes with our trainers, but also giving them Title Boxing Club on Demand so they can still work out from home. Otherwise, just a lot of social media engagement and asking them to tag us.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
We have no supply issues.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?
As I said, I got the PPP money, but have already used up half of it while closed. With the changing of the rules, I will use the rest when I am open. We could really use another round of funding. I applied to the SBA for a $50,000 SBA loan for both clubs, and to the state for $10,000 in grant money, but nothing will come from the state as they ran out of money. I applied for $10,000 in grant money from the county and got one of the clubs approved for it so far. There needs to be some other kind of next CARES Act for the small-business owner when we actually get open.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
I would have liked a bigger discount on the royalties from the franchisor, and I think it should go for 90 days after we open, not one month, as it will take time to ramp things back up. I think the government should have something that helps the business owner more with the rents than anything. The landlords have still been not very understanding. They are only willing to do a deferral in rent and want to be whole by mid-next year. That is really going to be tough.

ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
Yes, that is the game plan for both clubs. ■

JEFF TOTH

Multi-Unit Owner
Christian Brothers Automotive

Units: 2
Age: 50
Years in franchising: 15
Years in current position: 15

Jeff Toth operates two Christian Brothers Automotive franchise locations in Houston. His was declared an essential business from the start, and he implemented new safety procedures for employees and new customer service options in April and May. He was looking to return to business as usual when Houston was hit with a new, stronger wave of the pandemic in late June.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
Our two locations, Christian Brothers Automotive the Woodlands and Christian Brothers Automotive Woodlands West, were affected early on during the pandemic. As the owner, it was my job to make my team members feel stable and calm—it doesn't help anyone to panic. Near the beginning of the pandemic, we were designated an essential business, which meant we had to make several changes to our operations. We got creative on how to provide for and protect our guests and team members, as well as ease any fears they had about Covid-19.

WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
Before Covid-19, we provided a complimentary shuttle service for guests when their cars were being serviced. Now, we have taken that a step further and offer no-contact pickup and delivery services. Our team members will pick up the car, service it, clean it, and return it—all while using gloves and keeping keys in ziplock bags to ensure minimal contact. We also added plexiglass in our guest waiting area to aid in social distancing measures.

IS YOUR FRANCHISOR HELPING KEEP YOU AFLOAT?
Our franchisor has been extremely helpful. Before the PPP loan was offered, our corporate team hosted several town hall meetings to discuss the next steps, and then helped walk us through the PPP application. As franchise owners, we're typically granted freedom and independence when it comes to running our businesses. However, in this situation, we needed the support of the corporate team, and they stepped up to assist, offering support through various virtual town hall meetings and Q&A sessions. Also, as a faith-based business, to keep spirits up the franchisor organized virtual bible study groups for the franchisees.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
Initially, we had to cut our team members' overtime hours. Fortunately, we didn't have to furlough any employees at either of our locations. Since receiving the PPP, we've been able to keep people on and return to normal operations. Team members are now able to work their normal hours with the potential for overtime. In fact, with the expansion of the delivery and pickup services, we've needed to start hiring more team members.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
We've been very conscientious of what our guests need and want during the pandemic. Typically, our shops are closed on the weekends. But to better support our guests, we decided to open on Saturdays through April and May. As Houston began to open up, we started to migrate back to our original operations. Some changes, like the additional concierge service, pay-by-phone option, or the no-contact delivery and pickup services, are here to stay.

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
We started early on with ensuring that we had good cash flow. While we were still open we decided to cut back on different expenses and were able to continue to use our suppliers.

WHAT HAVE YOU DONE ABOUT CASH FLOW, PPP?
Our team has done an amazing job of managing cash flow! Any nonessential expenses were cut back and removed. Our team has been extremely understanding as we navigate these difficult times. We applied for and received a PPP loan and are currently working to get it converted into a grant.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?

The corporate team did a great job providing us with communications and any needed news from the government. Specifically, when it came to converting the PPP loan into a grant, they walked us through the worksheet to make the switch as seamless as possible. They've been on their game with providing marketing campaigns, creative ideas, and support. The turnaround time for marketing resources has been incredible. The local government in Houston was extremely helpful. Even before we knew what to do, Kevin Brady (Texas Senator) and Greg Abbott (Texas Governor) started hosting town halls on Zoom. When there wasn't any new information, they still shared what they knew, kept local business owners updated, and spread the message that we're all in this together.

IF YOU ARE IN A STATE THAT REOPENED EARLY, WHAT WAS THAT LIKE FOR YOU?

We were deemed an essential business, so we were not closed during the Covid-19 outbreak in Houston.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?

Covid-19 has changed the way we approach our interactions with our guests. In the past, we always had a complimentary shuttle. Now, we have taken our pickup and delivery services to the next level. As we approach the rebuilding aspect and migrate back to our services, the steps forward we have taken will have lasting impacts. ■

COVID-19 HAS CHANGED THE WAY WE APPROACH OUR INTERACTIONS WITH OUR GUESTS. IN THE PAST, WE ALWAYS HAD A COMPLIMENTARY SHUTTLE. NOW, WE HAVE TAKEN OUR PICKUP AND DELIVERY SERVICES TO THE NEXT LEVEL. AS WE APPROACH THE REBUILDING ASPECT AND MIGRATE BACK TO OUR SERVICES, THE STEPS FORWARD WE HAVE TAKEN WILL HAVE LASTING IMPACTS.

BROOKE WILSON

President
Laurus Pariter Management Group

Units: 6 Two Men and a Truck franchises
Age: 40
Years in franchising: 18
Years in current position: 17 as franchisee

Brooke Wilson and her husband Les have built a Two Men and a Truck franchise business serving markets in North Carolina and Georgia. The married couple's multi-unit company generates annual revenue of more than $15 million. Although their moving trucks have been declared an essential business, they faced the onset of the pandemic just as their peak spring and summer season was arriving.

HOW HAS COVID-19 AFFECTED YOUR BUSINESS?
In several ways. Our business is seasonal, with a near-perfect bell curve peaking in the months of May, June, and July. February and March are typically ramp-up months for us in terms of inventory and staffing. We began February with a strong recruitment push as usual, but have since slowed with some concern over how our markets will perform through and post-Covid. We added 11 fleet vehicles (each carrying an investment of $100,000), equipment, and acquired two franchise markets in February. Fortunately, the trucking industry (including movers) has been deemed essential, and we have been able to continue services. We were able to shift administrative and clerical support to work from home, and made adjustments in operations to reduce opportunity for exposure. Employees are eager to work, and we have not been forced to furlough or lay off. Following an initial surge in service requests—likely in anticipation of shelter-in-place quarantine orders—we saw a drop in lead volume into April (approximately 30% in some markets). This appears to align with what we're seeing in the real estate market.

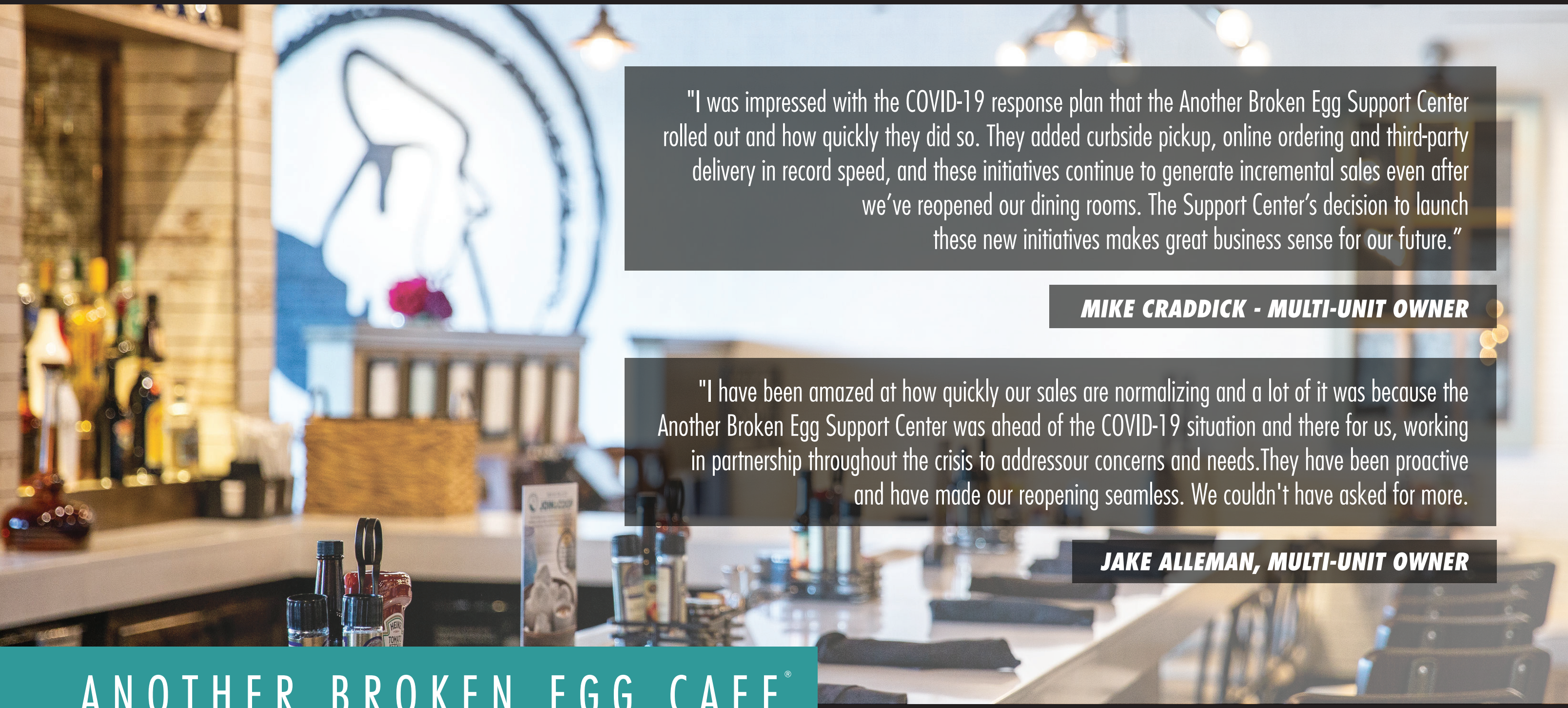
WHAT ARE YOU DOING RIGHT NOW TO GET THROUGH THIS?
We have had to be nimble and dedicated to our mission of moving people forward. Within a very short time we've had to change our business practices and adopt additional precautionary measures to protect our crews and clients. We transitioned our sales, administrative, and support staff to "work from home." We fully analyzed operational procedures from every angle to make necessary adjustments and roll out new SOPs as part of our business resiliency plan. Our new normal includes closing the office to the public, disinfecting trucks and equipment several times a day, staggering dispatch times to heighten social distancing, touchless temperature taking every morning, wearing PPE, qualifying customers, restricting services to "hot spot" cities and "high risk" consumers—among a variety of other processes to avoid as much opportunity for contact and spread as possible.

Our business model and pricing strategy are built in consideration of known factors and historical data. This unprecedented pandemic event has introduced unknown variables that are changing day to day, and the cost of performing our essential business continues to rise. To offset the initial unexpected rise in expense we added a temporary fee, and our customers were gracious in understanding. This fee no longer applies, as the business impact of Covid has stabilized. Our customers appreciate the fact that we are doing all we can to conduct business safely during this time. Appropriate communication and evident follow-through have been vital.

Further, we are examining our expenses down to the dime for now and asking ourselves if this expense can wait. Lenders and third-party vendors have offered payment deferrals. Insurers have provided options to reduce carrier costs on vehicles and facilities not in use. We have amended marketing campaigns; requested credits in areas such as sports marketing; and we are learning who and what our most valuable resources are.

IS YOUR FRANCHISOR OFFERING ASSISTANCE?
Our franchisor is acting as an aggregator of information by collecting best practices from around the country and sharing them with us. Their marketing department also has been helpful by providing professional graphics that support our brand, helping with

ANOTHER BROKEN EGG CAFE® EMERGES EVEN STRONGER THAN BEFORE



"I was impressed with the COVID-19 response plan that the Another Broken Egg Support Center rolled out and how quickly they did so. They added curbside pickup, online ordering and third-party delivery in record speed, and these initiatives continue to generate incremental sales even after we've reopened our dining rooms. The Support Center's decision to launch these new initiatives makes great business sense for our future."

MIKE CRADDICK - MULTI-UNIT OWNER

"I have been amazed at how quickly our sales are normalizing and a lot of it was because the Another Broken Egg Support Center was ahead of the COVID-19 situation and there for us, working in partnership throughout the crisis to addressour concerns and needs.They have been proactive and have made our reopening seamless. We couldn't have asked for more.

JAKE ALLEMAN, MULTI-UNIT OWNER

ANOTHER BROKEN EGG CAFE®

THE FASTEST GROWING BREAKFAST & BRUNCH CONCEPT IN THE UNITED STATES

OUR FRANCHISE OPPORTUNITY

EXCELLENT MARKETS AVAILABLE | MULTIPLE BUILDING OPTIONS | CUSTOM DEVELOPMENT PROGRAMS

ONE SHIFT OPERATION
Making it easier to hire & retain staff.

BAR FORWARD
New store design showcases our bar and thriving bar sales.

EXCELLENT ROI
Three years of same store sales growth.

FOOD FOCUSED
CIA trained chef, culinary creativity means high guest frequency.

CUSTOMER DRIVEN
Excellent training results in our inspired service.

TECH SAVVY
State of the art tech maximizes management and guest experience.

WELL SEASONED
24 yrs of success, well vetted systems, veteran executive team.

FRANCHISEE FRIENDLY
Our owners have a voice.

WWW.ANOTHERBROKENEGGFRANCHISE.COM FOR MORE INFORMATION CLAY.CARSON@ANOTHERBROKENEGG.COM consistent messaging, and ultimately helping us give potential clients confidence in our company. In addition, they have waived and/or adjusted some administrative fees related to call volume support and technology support.

WE ARE MAINTAINING OUR COMMITMENT TO POSITIVE TEAM CULTURE. FRONT-LINE EMPLOYEES ARE BEING COMPENSATED AT A HIGHER, PREMIUM RATE IN APPRECIATION FOR THEIR SERVICE IN THIS UNIQUE ENVIRONMENT.

WHAT ARE YOU DOING TO HELP YOUR EMPLOYEES THROUGH THIS?
Our employees are the backbone of our company, so supporting them is critical. Whether it's responding to requests for additional equipment that will help them do their job safely, or gathering daily on a conference call for a team huddle, staying connected and available to support them is our number-one goal every day. We are striving to maintain normalcy to the best of our ability. As an essential employer, we are fortunate to continue offering work (though we are not expecting the traditional peak hours availability that is normal in the moving industry). We are working diligently to maintain normal income levels, while also taking steps to keep everyone safe and healthy. We are maintaining our commitment to positive team culture. Front-line employees are being compensated at a higher, premium rate in appreciation for their service in this unique environment.

WHAT ARE YOU DOING FOR YOUR CUSTOMERS?
We are being as flexible and supportive as we can to help them during this time. Our "in home service" is unique, and though there is a direct need for service, consumers are concerned more than ever about inviting a potential risk into their home or work space. We are communicating constantly about the steps we are taking to maintain a clean and safe environment for the protection of our employees and our customers. We aren't just talking about it, we are acting on it. Providing a stress-free move has never been so important!

HOW ARE YOU WORKING WITH YOUR SUPPLIERS?
As mentioned previously, some lenders and third-party vendors have offered to defer payments. We have renegotiated some contracts. We've made adjustments to marketing content, and received credits from sports marketing vendors. For the most part, everyone is being cooperative and it's apparent that we have valuable partnerships.

WHAT ARE YOU DOING ABOUT CASH FLOW, PPP?
As usual, we are watching our expenses while not letting off the gas when it comes to driving new business and sales. I've always managed my business in a fiscally conservative manner. Banks and lenders have offered deferred installments and we have accepted (not knowing if it will be necessary, but... conservative). Insurance has offered to reduce coverage levels on assets not currently in use. For example, because lead volume is reduced, we can ground a number of trucks and carry lower coverage on those vehicles at a reduced cost until the pandemic subsides. Our landlords have not been accommodating, likely because the CARES Act support offsets rents. However, as a property owner and landlord, I have been able to recognize some internal deferment. We applied for and received PPP funding. It will be interesting to navigate the forgiveness application on the back end.

WHAT ELSE WOULD YOU LIKE TO SEE FROM YOUR FRANCHISOR OR GOVERNMENT?
Oh man... this is a tough question. Of course, it's easy to say "Defer Royalties!" In consideration of the varied effects from market to market, I think the position of the franchisor to simply aid as a resource of information has been very helpful. Though, as with all information sources, I've found that gathering and filtering are necessary to ensure the best for my business. I'd like to see more support from the franchisor from a marketing perspective. In terms of government, it's also difficult. It's so political and conspiratorial. As a multi-unit operator, it would be easier to manage with consistency. The SBA's PPP process was a nightmare. I'd like the government to talk a bit about what the future of the U.S. and world economy look like. So much seems reactive... putting out the fires. So much uncertainty.

HOW ARE YOU PLANNING TO REOPEN AND REBUILD YOUR BUSINESS POST–COVID-19?
We are hopeful that as an essential business we will continue to have the ability to stay open in some capacity throughout the Covid-19 pandemic. We are focusing our efforts on keeping our crews as safe and risk-free as possible so we can continue to move our customers who are counting on us. We are also using this as an opportunity to strengthen our bench with lots of training to make sure we are firing on all cylinders when normalcy returns. As a measure of backup, we have prepared virtual training plans. In the event that closure is required, thereby resulting in furloughs or layoffs, we will offer bonuses to employees who return with certifications of completed training. It is our hope this ensures that staffing needs are met when Covid-19 restrictions are lifted. We are doubling down on some of our marketing efforts and exploring new angles to reach our audience, who have been stuck at home for months now. That's a lot of screen time! We remain confident that there will be pent-up demand as shelter-in-place restrictions are lifted and the economy starts rolling again. ■

2020 MULTI-UNIT 50

NUMBER OF MULTI-UNIT FRANCHISEES

RANK	BRAND	MULTI-UNIT FRANCHISEES	SINGLE-UNIT FRANCHISEES	TOTAL FRANCHISEES	FDD YEAR
1	SUBWAY	3,813	3,584	7,397	2018
2	MCDONALD'S	1,840	318	2,158	2019
3	THE UPS STORE	890	2,216	3,106	2018
4	AFC	826	1,801	2,627	2018
5	DUNKIN'	812	5,113	5,925	2019
6	LITTLE CAESARS	690	81	771	2018
7	LIBERTY TAX SERVICE	602	789	1,391	2018
8	H&R BLOCK	600	719	1,319	2018
9	GREAT CLIPS	594	300	894	2018
10	HEALTH MART PHARMACY	583	3,151	3,734	2018
11	ACE HARDWARE	547	2,529	3,076	2018
12	DOMINO'S PIZZA	534	239	773	2019
13	FIREHOUSE SUBS	467	12	479	2018
14	JIMMY JOHN'S	439	284	723	2018
15	VISION SOURCE	427	2,171	2,598	2019
16	DQ GRILL & CHILL	403	1,095	1,498	2019
17	BURGER KING	399	382	781	2019
18	JACKSON HEWITT TAX SERVICE	386	159	545	2018
19	CENTURY 21	350	736	1,086	2018
20	TACO BELL	339	325	664	2018
21	ANYTIME FITNESS	332	1,660	1,992	2018
22	HISSHO SUSHI	309	472	781	2019

RANK	BRAND	MULTI-UNIT FRANCHISEES	SINGLE-UNIT FRANCHISEES	TOTAL FRANCHISEES	FDD YEAR
23	SUPERCUTS	291	144	435	2018
24	SPORT CLIPS	289	121	410	2018
25	CHICK-FIL-A	276	1,461	1,737	2018
26	BASKIN-ROBBINS	270	1,588	1,858	2019
27	KFC	257	380	637	2019
28	PAPA JOHN'S	253	392	645	2018
29	EDIBLE ARRANGEMENTS	252	305	557	2018
30	JERSEY MIKE'S SUBS	250	209	459	2018
31	WENDY'S	227	121	348	2018
32	COLDWELL BANKER	225	467	692	2018
33	PAPA MURPHY'S	224	238	462	2018
34	SERVPRO	216	834	1,050	2018
35	FANTASTIC SAMS	196	293	489	2018
36	SMOOTHIE KING	192	224	416	2018
37	GNC	181	234	415	2018
38	HUNTINGTON LEARNING CENTER	181	30	211	2018
39	WINGSTOP	178	110	288	2018
40	AUNTIE ANNE'S	175	314	489	2018
41	DQ TREAT	171	759	930	2019
42	PIZZA HUT	166	126	292	2018
43	ARBY'S	164	254	418	2019
44	EUROPEAN WAX CENTER	164	112	276	2018
45	POPEYES LOUISIANA KITCHEN	164	660	824	2018
46	KELLER WILLIAMS	163	781	944	2018
47	MIDAS	163	267	430	2018
48	MATHNASIUM	162	422	584	2019
49	CULVER'S	155	274	429	2018
50	SONIC DRIVE-IN	155	308	463	2019

SOURCE: Frandata. Brands with 25 or fewer franchisees were excluded.

2020 MULTI-UNIT 50

PERCENTAGE OF MULTI-UNIT FRANCHISEES

RANK	BRAND	% MULTI-UNIT FRANCHISEES	MULTI-UNIT FRANCHISEES	SINGLE-UNIT FRANCHISEES	TOTAL FRANCHISEES	FDD YEAR
1	PANERA BREAD	100.00%	28	0	28	2018
2	FIVE GUYS BURGERS AND FRIES	98.17%	107	2	109	2018
3	FIREHOUSE SUBS	97.49%	467	12	479	2018
4	CAPTAIN D'S	94.81%	73	4	77	2018
5	SMARTSTYLE	93.00%	93	7	100	2018
6	JACK IN THE BOX	92.73%	102	8	110	2018
7	DUTCH BROS.	92.45%	49	4	53	2018
8	MIRACLE-EAR	92.00%	138	12	150	2018
9	FRESHII	90.14%	64	7	71	2018
10	LITTLE CAESARS	89.49%	690	81	771	2018
11	PALM BEACH TAN	88.89%	24	3	27	2018
12	APPLEBEE'S	88.57%	31	4	35	2019
13	HUNTINGTON LEARNING CENTER	85.78%	181	30	211	2018
14	MCDONALD'S	85.26%	1,840	318	2,158	2019
15	CHEEZIES PIZZA	82.61%	38	8	46	2018
16	ROSATI'S CHICAGO PIZZA	76.19%	32	10	42	2018
17	SIMPLE SIMON'S PIZZA	75.94%	101	32	133	2018
18	CARL'S JR.	75.42%	89	29	118	2018
19	BARBERITOS	75.00%	24	8	32	2018
20	HWY 55 BURGERS SHAKES & FRIES	71.43%	50	20	70	2018
21	VALVOLINE INSTANT OIL CHANGE	70.89%	56	23	79	2018
22	JACKSON HEWITT TAX SERVICE	70.83%	386	159	545	2018

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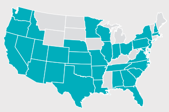

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23	SPORT CLIPS	**70.49%**	**289**	**121**	**410**	**2018**
24	PENN STATION EAST COAST SUBS	**70.13%**	**54**	**23**	**77**	**2018**
25	GODFATHER'S PIZZA	**70.06%**	**124**	**53**	**177**	**2018**
26	BUDDY'S HOME FURNISHINGS	**69.44%**	**25**	**11**	**36**	**2018**
27	DOMINO'S PIZZA	**69.08%**	**534**	**239**	**773**	**2019**
28	BOJANGLES'	**69.01%**	**49**	**22**	**71**	**2018**
29	PIEOLOGY PIZZERIA	**67.74%**	**21**	**10**	**31**	**2018**
30	FRONTIER ADJUSTERS	**67.68%**	**111**	**53**	**164**	**2018**
31	SUPERCUTS	**66.90%**	**291**	**144**	**435**	**2018**
32	GREAT CLIPS	**66.44%**	**594**	**300**	**894**	**2018**
33	SOTHEBY'S INTERNATIONAL REALTY	**66.42%**	**89**	**45**	**134**	**2018**
34	MICHELIN COMMERCIAL SERVICE NETWORK	**65.79%**	**25**	**13**	**38**	**2018**
35	SUN TAN CITY	**65.79%**	**25**	**13**	**38**	**2018**
36	TIDE CLEANERS	**65.38%**	**17**	**9**	**26**	**2018**
37	HARDEE'S	**65.35%**	**83**	**44**	**127**	**2018**
38	WENDY'S	**65.23%**	**227**	**121**	**348**	**2018**
39	COST CUTTERS FAMILY HAIR SALON	**64.86%**	**48**	**26**	**74**	**2018**
40	PACLEASE	**64.41%**	**38**	**21**	**59**	**2019**
41	RENT-A-CENTER	**62.07%**	**18**	**11**	**29**	**2018**
42	AVIS	**61.90%**	**26**	**16**	**42**	**2018**
43	WINGSTOP	**61.81%**	**178**	**110**	**288**	**2018**
44	THE GOOD FEET STORE	**61.54%**	**16**	**10**	**26**	**2018**
45	RALLY'S	**60.98%**	**25**	**16**	**41**	**2019**
46	CHECKERS	**60.94%**	**78**	**50**	**128**	**2019**
47	JIMMY JOHN'S	**60.72%**	**439**	**284**	**723**	**2018**
48	SOLA SALON STUDIOS	**60.47%**	**78**	**51**	**129**	**2018**
49	FREEDOM BOAT CLUB	**60.42%**	**29**	**19**	**48**	**2018**
50	HOMESMART	**60.38%**	**32**	**21**	**53**	**2019**

SOURCE: Frandata. Brands with 25 or fewer franchisees were excluded.

THE

FLEXIBILITY ACT

Borrowers buy more time and flexibility to spend funds

Written By **Jan Gilbert & Emily Doan**

On June 5, 2020, the Paycheck Protection Program Flexibility Act of 2020 (Flexibility Act) was signed into law. The Flexibility Act provides small businesses with more time and flexibility to spend federal funds obtained through the Paycheck Protection Program (PPP). The PPP is a federal stimulus program under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), enacted March 27, 2020, that addresses the economic impact of Covid-19 on small businesses.

OVERVIEW OF THE PPP

The CARES Act allocates a significant amount of federal funds through the PPP to cover payroll and overhead expenses for small businesses. When the CARES Act was enacted, the SBA guaranteed $349 billion in PPP loans for small businesses of not more than 500 employees (with some exceptions) to maintain their payroll during the pandemic. These loans have very favorable terms, including loan forgiveness for payroll and overhead expenses, payment deferral, no collateral, no personal guarantees, no borrower or lender fees payable to the SBA, and a 100% guarantee by the SBA. Small businesses may borrow up to $10 million, with interest not to exceed 0.5%. These features make the PPP akin to an emergency grant program for small businesses to fund their payroll during the pandemic.

After overwhelming demand from businesses applying for loans through the PPP since the program's April 3, 2020 launch, the PPP ran out of funds. As a result, the Paycheck Protection Program Increase Act of 2020 was enacted on April 24, 2020. This act added an additional $310 billion to fund the PPP, and set aside $60 billion for community-based and smaller lenders to assist smaller businesses that were unable to access PPP funds during the first round of loans. The Flexibility Act made PPP loan terms more useful for borrowers by, among other changes, increasing the length of time for borrowers to spend PPP funds and increasing payment deferral and loan maturity.

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Figures reflect averages for thirteen (13) affiliated-owned stores for the 12-month period ending December 31, 2019, as published in item 19 of our June 2020 Franchise Disclosure Document.

EXTENSION OF LOAN FORGIVENESS, LOAN DEFERRAL, AND LOAN MATURITY

Before enactment of the Flexibility Act, small businesses had to use their PPP funds within 8 weeks of disbursement (the "covered period") in order for that money to be eligible for loan forgiveness. The Flexibility Act extends the covered period from 8 weeks to 24 weeks from disbursement, not to extend past December 31, 2020. With this change, borrowers do not have to rush to use their PPP loan money after it is disbursed, especially as most businesses are just now starting to reopen. The extension of the covered period gives borrowers the flexibility to use the funds as they need them to reopen and ramp up business.

The Flexibility Act also pushes back deferral of PPP loan repayment. Before the Flexibility Act, borrowers were required to begin paying back loans that did not qualify for forgiveness 6 months from the date of loan disbursement. Under the Flexibility Act, borrowers now have until 10 months after the last day of the covered period (i.e., 24 weeks from loan disbursement) before the borrower must begin paying back loans that do not qualify for forgiveness.

In addition, borrowers were required to pay back loans that did not qualify for forgiveness within 2 years. Under the Flexibility Act, PPP loans originated on or after the date of enactment (i.e., June 5, 2020) mature after 5 years. For borrowers with loans originated before June 5, 2020, the Flexibility Act provides that borrowers and lenders may mutually agree to modify the maturity of the loan balance from 2 years to 5 years.

ALLOCATION OF FUNDS TOWARD PAYROLL/ NONPAYROLL EXPENSES

Under the original PPP, borrowers were required to use at least 75% of their loans on payroll expenses to be eligible for loan forgiveness. The Flexibility Act reduced this threshold to 60%. Now, borrowers may spend up to 40% on nonpayroll expenses such as rent, mortgage, or utility obligations. While an original goal of the PPP was to provide borrowers with means to keep workers employed, many employees have been unable to work during the pandemic because of their employers' closures, compliance with government orders, and/or reduced capacity. Allowing borrowers to spend more of their PPP loans on nonpayroll expenses gives them the flexibility to allocate capital to nonpayroll expenses to keep their businesses afloat, rather than paying salaries for employees unable to work. The change in allocation of funds eases the requirements for small businesses that have encountered difficulties in rehiring or keeping employees to obtain loan forgiveness.

At the time the Flexibility Act was enacted, there was an open issue of whether 60% was a cliff or a prorated percentage. In other words, if a borrower spent only 59% of the PPP loan on payroll expenses, would the entire loan be ineligible for loan forgiveness? On June 10, 2020, a revised interim final rule clarified that if borrowers spend less than 60% on payroll costs, they will still be eligible for prorated loan forgiveness. The regulations provide the following example of how prorated loan forgiveness will be calculated:

"...if a borrower receives a $100,000 PPP loan, and during the covered period the borrower spends $54,000 (or 54 percent) of its loan on payroll costs, then because the borrower used less than 60 percent of its loan on payroll costs, the maximum amount of loan forgiveness the borrower may receive is $90,000 (with $54,000 in payroll costs constituting 60 percent of the forgiveness amount and $36,000 in nonpayroll costs constituting 40 percent of the forgiveness amount)."

PAYROLL TAX DEFERRAL

The Flexibility Act extends deferral of payment of payroll taxes from the date of loan forgiveness under the original PPP until December 31, 2020.

SAFE HARBOR

To qualify for loan forgiveness for employees' salaries under the PPP, borrowers must restore reductions in the number of full-time equivalent (FTE) employees by December 31, 2020. Under the original PPP, borrowers had until June 30, 2020 to restore the number of FTE employees. The PPP provides "safe harbors" from a proportionate reduction in loan forgiveness for borrowers who are unable to restore reductions in the amount of FTE employees by December 31, 2020. Under the Flexibility Act, loan forgiveness for employee salaries will not be reduced if, in good faith, the borrower can demonstrate either:

1. inability to rehire former employees and inability to hire similarly qualified employees for unfilled positions by December 31, 2020; or
2. inability to return to the same level of pre–Covid-19 business activity because of the borrower's compliance with federal requirements related to health, safety, and sanitation.

CONCLUSION

The Flexibility Act provides borrowers with better loan terms, more flexibility, and more time to use PPP funds. The changes to the PPP also make it easier for borrowers to qualify for loan forgiveness. Overall, the Flexibility Act is a positive development for borrowers who have secured PPP loans, and for borrowers who have yet to apply for PPP loans. ■

Jan Gilbert is a Shareholder with Polsinelli and **Emily Doan** is an Associate with the firm. Both focus on the firm's Global Franchise and Supply Network. Contact him at 202-777-8918 or jgilbert@polsinelli.com. Contact her at 303-256-2702 or edoan@polsinelli.com.

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LIFE AFTER

COVID

LOOKING AHEAD WHILE STILL DEALING WITH TODAY

Written By **HELEN BOND**

While Eric Werner continues to take a one-day-at-a-time approach to navigate his Texas operations through Covid-19, the multi-brand franchisee also is focused on sustained recovery for future growth.

Werner, owner of 41 Subway restaurants and 8 Beverly Hills Rejuvenation Center spas, experienced more lows than highs in the early weeks of the coronavirus pandemic. His Subway sales were initially down 70%, and he was forced to shut down his med spas. Amid the unsettling fear of the unknown, he went to work exhaustively learning the nuances of coronavirus relief options, because, he says, information helps you make good decisions.

"What I didn't expect was the support coming from the outside," says Werner, who also is a franchisee of Little Caesars and the fast-casual seafood concept The Catch. "It was really cool. You got help from banks, landlords, suppliers, and franchisors. Everybody rallied around you—people who were there for us in truth."

Perhaps never before has the popular catchphrase "We're all in this together" meant more in franchising, where a brand's network is only as strong as its franchisees. As operators from coast to coast begin the transition from survival mode to reimagining new ways of doing business, multi-unit franchisees are echoing Werner's sentiments.

Omar Simmons, one of the largest franchisees of Planet Fitness, credits system-wide collaboration of best practices and strategies in areas such as landlord negotiations, marketing, and development as key to the brand's ability to adapt to the changing landscape.

"Everyone attached to our business has pitched in to help us endure these unprecedented times," says Simmons, founder and managing partner of Boston-based Exaltare Capital Management. "Our landlords, lenders, franchisor, other franchisees, and our team have been incredible. In the end, none of us is independent. We need each other to be successful."

Planet Fitness partnered with its franchisees to develop a Covid-19 operations manual focused on elevated sanitation protocols and safety procedures. The task force's documented guidance paved the way to convince governors, medical professionals, employees, and club members that the brand could open its doors and operate safely, Simmons says.

Simmons is now entering what he says is "the most rewarding part of this struggle": welcoming back furloughed employees and members at 103 Planet Fitness gyms in 6 states and Canada.

"I am blessed with an extraordinary team," he says. "No business works well with months of zero revenues. Our team has minimized our burn rate, kept the team prepared, and helped co-create a strong reopening plan customized to keep everyone safe in a post-Covid, pre-vaccine world. We still have a lot of work to do as we reopen to serve our members, but I could not be more appreciative."

LOBBYING FOR FRANCHISING

Relationships built over years of advocacy with legislators and regulators have proved invaluable, particularly during the early days following passage of the CARES Act, says Robert Branca, a large Dunkin' franchisee who chairs his brand's government affairs committee.

The committee, in coordination with the IFA, NRA, and others, worked to ensure that franchisees were not left out of the government's PPP loan forgiveness program. Dunkin' also held webinars and sent out "voluminous" amounts of email to franchisees to communicate information as it became available, and later as it continued to change, says Branca, who operates 89 stores in Massachusetts, New York, and Ohio.

"We had direct, often immediate access to decision-makers and were able to provide our perspectives and our experiences on the ground in trying to serve the public," he says. "This was completely new to everyone, so no one had preconceived notions, and the ability to provide facts in real time was critical to us. This also allowed us to get prepared for the massive new programs that were rolling out, with the rules changing hour to hour, let alone day-to-day."

GETTING AN EARLY JUMP

David Barr, past chairman of the IFA and a multi-unit franchisee of 30 KFC and Taco Bell restaurants, also has been on the front lines to ensure that franchising obtained its fair share of the PPP loans. Barr, chairman of PMTD Restaurants and its affiliates, also is a franchisee of multiple brands, including Capriotti's Sandwich Shop, The Spice & Tea Exchange, and The Lash Lounge.

Having seen the impact of the virus on business in China just 2 months before the pandemic reached the U.S., the seasoned franchise executive advocated for a focus on liquidity for every company he had a stake in as a franchisee, franchisor, or board member. He recommended "reviewing payroll needs in light of consumer behavior and government mandates, having immediate conversations with landlords, and being sure that lines of credit are available."

Barr also worked to find lenders and assist with applications for franchisees associated with the 8 brands where he holds investments or board seats. "A franchise system is only as good as its franchisees, and on the other side of Covid-19, we believe it is important for franchisees to be well-capitalized," he says.

The pandemic affected each of Barr's businesses differently, requiring a tailored response for each. "In our KFCs and Taco Bells, we experienced immediate sales declines, but had a sense that delivery and drive-thru business would come back, and thus we did not furlough any employees. In other businesses, where we had to 100% close operations, we kept the managers on the payroll at their full wage and furloughed the hourly employees," he says.

"As employers, I know many of us feel like we are competing against the increased unemployment pay. However, there is always good after bad. The good has been that we knew our furloughed employees were able to be safe and provide for their families. We now look forward to the economy reopening and having all of our teams back together."

SAFETY FIRST!

The nature of franchising also allowed franchisees to swiftly adapt and adjust systems and processes on the fly. When Dunkin' limited store service to drive-thru, carryout, and delivery only, Branca quickly refined his business model, implementing a hazard pay/attendance bonus to reward employees who remained on the job; keeping crew shifts in teams and limited to a single store; and hiring a cleaning company with sanitation procedures in place to be on call if needed. He also ramped up marketing to promote the benefits of the brand's On-the-Go Mobile Ordering app, which allows guests order in advance and pay remotely.

"We tried to do the same thing everywhere so that practices were easier to implement, enforce, and follow," says Branca. "That's actually very much the DNA of franchising overall. We went to the strictest standard and provided masks, gloves, sanitizer, and doubled down on existing cleaning procedures. Food safety and sanitation is already second nature to us, as is serving through the drive-thru."

PREPPING FOR THE NEXT NEW NORMAL

The need for operators to adopt an "information is power" approach remains vital to recovery as businesses emerge from the pandemic with more operational questions than answers. Tough decisions lie ahead for franchisees navigating in the next new normal.

"We have had a difficult time calling people back from unemployment, either because of the enhanced unemployment benefits, or genuine health fears for themselves or susceptible family members back at home," says Branca. "I find it hard to tell a worker who is scared for health reasons that 'doing the right thing' is to come back to work, especially if it is less economically advantageous for his or her family."

Werner, whose Beverly Hills Rejuvenation Centers are up and running with updated procedures as his restaurant sales edge back to normal, says owners will have to continue to tend with "mountains of misinformation" regarding the coronavirus, yet still honor the fact that the habits of some customers may be forever changed. And he, along with many other operators, is rethinking remodels and will look hard at the future development of drive-thru-only shops.

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OPPORTUNITIES FOR THE PREPARED

As with every big economic event there will be both failures and opportunities that come with consolidation and new availability of prime retail space.

"I'm in really good shape and we are big already," says Werner. "I just want to protect the company. I wouldn't shy away from investing, but it would have to make a lot of sense for me."

Simmons—who already operated in an expanding health and wellness space before Covid-19 and who now sees a public with a greater appreciation of the mental and physical benefits of fitness—is cautiously optimistic regarding new club development and smaller acquisition opportunities. "We don't think there is any shortage of ways to play offense," he said on a recent episode of the health, active lifestyle, and outdoors podcast HALO Talks.

Barr, an optimist by nature, believes "all of us will get through this crisis." Still, he says, there are many more chapters to be written on the impact of Covid-19. "With 40 million people unemployed, I worry that eventually government assistance will be pulled back and consumer spending will decline. If that occurs, the focus in 9 months will be on how brands bring value to the everyday lives of consumers," he says.

Branca agrees, and says it's tough to predict the forever changes, starting with how the government's role in recovery will evolve. He projects severe budget shortfalls at the federal, state, and local levels as people take fewer business risks and tax revenues continue to fall short.

"Some governments may shrink, with less room for increases in public and quasi-public agencies," says Branca. "Some may continue with the easing of regulations that allowed businesses to stay alive during the pandemic to spur growth and get people back to work. Others will double down and raise taxes and intensify regulations, even in the post-pandemic economic devastation. It won't be boring." ■

COVID-19

WHAT ARE THEY THINKING?

Written By **Helen Bond**

Top Left: **David Barr**
Top Right: **Rob Branca**
Bottom Left: **Omar Simmons**
Bottom Right: **Eric Werner**

Four large, experienced multi-unit franchisees provide additional thoughts on Covid-19, the PPP, cash flow, business interruption insurance, employees, retail and real estate, "forever" changes, and future growth opportunities.

PAYCHECK PROTECTION PROGRAM

As past chair of the IFA, I was on the front line of discussions with Congress assisting the IFA staff with their efforts to ensure franchising was able to obtain their fair share of the PPP loans. As a franchisee, we used the PPP loans to maintain employment until our sales rebounded. Fortunately, in the QSR sector this happened within the first month. On the franchisor side of the businesses I'm involved in, we found lenders and assisted franchisees in completing their applications. A franchise system is only as good as its franchisees and, on the other side of Covid-19, we believe it is important for franchisees to be well-capitalized. Fortunately, most franchisees who sought a loan have been able to obtain one, and there are still PPP funds available for those who need it. —**David Barr**

CASH FLOW

We stopped spending in every area including marketing, and reduced labor and rent (our biggest expenses). We had to stretch payables with vendors, shut down, and slow down capex. Not being open in some ways made it easier to cut costs, but now as we reopen we will need to make some working capital investments to get restarted. —**Omar Simmons**

BUSINESS INTERRUPTION INSURANCE

We are part owners of our insurance company through a captive insurance model, as are many franchisees. Overall, on a societal level, business interruption insurance now seems like an illusory product. Either it should cover plainly stated things or companies should not be allowed to sell it. No franchisor, landlord, or lender should be requiring this type of "coverage" of its franchisees, tenants, or borrowers when it doesn't provide actual coverage, but creates expense. Insurers could consider rebating some of the premiums. —**Rob Branca**

When we were crawling and scratching and looking in all directions, insurance was a problem. It makes you wonder why you have insurance. You get business interruption, and at the time you need it they are not there for you. I even wrote a letter to the adjuster to explain that it was due to civil authority and it did cause physical damage in that the virus is physically all over the place and it could be in your restaurant. If there were a fire, and smoke from the fire shut down the business, they would pay—but they still denied it. I didn't understand the difference. Why even have insurance? —**Eric Werner**

EMPLOYEES

Overall, we had the enhanced unemployment benefits of the FFCRA (Families First Coronavirus Response Act) competing directly with the benefits of the CARES Act (PPP loan forgiveness for getting people back on the payroll). It is impossible for business owners to correct these massive acts of the federal government. Even the government is struggling to stop these huge, quickly passed programs from butting heads, and that has exacerbated the economic uncertainty in the business world. I personally feel uncomfortable telling a crew member it's not fair that they may finally have gotten a windfall in life (however small and temporary) after they have seen bankers bailed out and then writing themselves giant bonuses 10 years ago. —**Rob Branca**

For our businesses that were able to maintain an employer-employee relationship (such as restaurants), the increase in unemployment pay did not become a problem. However, for those businesses that had to 100% shut down (such as The Lash Lounge or Title Boxing), the increase in unemployment pay created another hurdle to reopen units, as employees had an incentive to not go back to work. I do believe that as a society we need to be sure we provide for the least fortunate, and in this crisis this increase in unemployment is providing this safety net. —**David Barr**

REAL ESTATE

I'm being conservative with cash, but still looking at opportunities. One obviously is that I think the real estate market is going to correct a little bit. I don't know if I need to rush. I don't know if there is any better tenant than us for a 20,000-foot box. This was going to happen anyway, the pandemic just accelerated it. —**Omar Simmons**

It is too soon to tell what the fallout of this will be. The difference from the last recession is that the underlying economy here was in the largest expansion in our history; there wasn't an underlying weakness in the financial or real estate industry this time. I find it personally difficult to not root for a speedy snap-back to a booming economy. I do believe that interest rates will remain low for some time, and that government will look to incentivize growth and job creation to get us out of this. We did get the QIP depreciation fix that we have been seeking for 2 years included in the CARES Act, so there is already one arrow in that recovery quiver. —**Rob Branca**

New and different real estate opportunities will present themselves for brands seeking growth. I recently read a report that the trough in real estate lease rates during the 2009 recession was 18 months after the crisis began. On reflection, this makes sense. Real estate is a long-term asset with long-term capital structure and leases. As a result, it takes longer for the economic cycle to flow into the real estate marketplace than into immediate consumer demand or employment. Thus, I believe we will see many retail vacancies in the next 2 years. This will create new opportunities for franchisors and franchisees. —**David Barr**

We don't have any expansion plans, but we will remodel. With our Subways, we might remodel a couple first and see if there is a good return. Also, there are Subway franchisees who might want to get out, so you might be able to buy at a discounted price if you had a lot of cash and felt comfortable with the situation. To me though, I'm in really good shape. We are big already and I just want to protect the company. We are very fortunate that the only debt we have is Beverly Hills Rejuvenation. I wouldn't shy away from investing, but it would have to make a lot of sense for me. You have to look forward even in your uncertainty. —**Eric Werner**

"FOREVER" CHANGES?

I'm not sure anyone can confidently answer that, though I've seen some pretend to. My best guess would be that we will see reduced demand for downtown office district space as companies adapt to remote workforces. Our real estate business will change, as will the site selection process for our Dunkin' business. Specifically, expensive office space might be an early G&A expense reduction

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for tenants. Some office space may move out from densely populated cities to suburban locations, making commutes easier, shorter, and resulting in less overall congestion, stress, and pollution. I can see the possibility of high-rise downtown business districts becoming housing, easing the affordable housing crisis if they aren't needed for offices any longer. —**Rob Branca**

As is often the case in life, crises accelerate consumer trends. Covid-19 has certainly accelerated consumer demand for off-premise restaurant sales, with delivery and carryout growing significantly. This long-term trend was already occurring and has just been accelerated. Similarly, I believe smaller fitness clubs with specific fitness modalities will continue to be a trend, versus large gyms. —**David Barr**

FUTURE GROWTH/PLANS

When we move forward, do we build Subways with drive-thrus? We have some freestanding Subways. Maybe I should put in a drive-thru or pickup window to give customers a sense of reassurance. This could be safer for them and everyone is entitled to their own opinion. But I think about the customer: What does the customer want? There are some who might be forever changed. How do we accommodate those who don't want to go into the restaurant and would rather use the drive-thru? Subway is making us remodel (a previous initiative), so we will remodel some of these freestanding stores we have with a drive-thru window. —**Eric Werner**

We were in the process of a handful of remodels; those are on hold. We considered remodeling shops that are closed anyway, but we aren't certain that some of them will, or should, ever reopen, depending on economic conditions as we come out of the pandemic. We also see an opportunity to establish drive-thrus in communities that banned them in the past, as they were an important lifeline for businesses that have them and the community members where they operate. We would definitely consider drive-thru-only shops when it comes time to do an extensive remodel or to build a new unit. —**Rob Branca**

I think new club development will be interesting. I'm actually excited that there will be less capital going into some of those big retail spaces. The second thing is there probably will be some acquisition opportunities, including small ones, which is a little like buying membership lists. —**Omar Simmons**

I do not believe the entire book for Covid-19 has been written. I think we are in just the first few chapters, and its impact on the economy has still more chapters to be written. I worry that with more than 40 million people filing for unemployment, eventually government assistance will be pulled back and then consumer spending will decline. If that occurs, the focus in 9 months will be on how brands bring value to the everyday lives of consumers. —**David Barr** ■

Better than Best?

Why “I did my best” is not enough

Written By
JOHN DIJULIUS

Every extraordinary accomplishment, invention, or revolution was not the result of someone giving their best. Somehow that person or team found a way to do what no one else could do. They did what no one had ever done before. They did the “impossible.”

Your best is what you were capable of in the past. That’s why your best won’t be good enough tomorrow. When the goal is to accomplish greatness, to go where no one or team has gone before, you have to figure it out, try a thousand ways, lose sleep, find loopholes, research, and sweat like you never have before.

One of my favorite examples of this is Apple Computer. Back when Apple was just a startup, one of the first things new employees learned (often the hard way) was that their leader, Steve Jobs, had a “reality distortion field” that enabled him to inspire his team to change the course of computing history—with just a fraction of the resources Xerox or IBM commanded. “We did the impossible because we didn’t realize it was impossible,” said Andy Hertzfeld, one of Apple’s original developers.

“The reality distortion field was a combination of a charismatic rhetorical style, an indomitable will, and an eagerness to bend any fact to fit the purpose at hand,” said Hertzfeld. “Amazingly, the reality distortion field seemed to be effective, even if you were acutely aware of it.” Jobs’s reality distortion field was a personal refusal to accept limitations that stood in the way of his ideas, a way to convince himself and anyone on his team that anything was, in fact, possible.

Each of us has the opportunity to create such a field. What we consider “possible” and “impossible” is how we were programmed, and consensus thinking about artificial boundaries. What ideas and thoughts do you need to become unrealistic about?

PASSION FUELS VISION

A vision is a picture of how your products or services will make a better world possible. Captivating visions inspire people to become evangelists for their brand. After all, it’s not the great idea that works, it’s the great passion behind it. Every original idea initially results in snickers, quips, and laughter. That is why most are killed long before they can ever become great. If you have a great idea, put on a bulletproof vest, a helmet, and go after it.

Passion is the emotional fuel that drives your vision. It’s what you hold onto when your ideas are challenged and people turn you down, when you are rejected by “experts” and the people closest to you. It’s the fuel that keeps you going when there is no external validation for your dream.

First, you must believe in yourself. Don’t waver. There always will be people who don’t think like you do, don’t have your vision, and who cannot comprehend being a visionary. I am more scared when everyone *agrees* with my ideas!

LEADERS LEAD

You can’t pick and choose when you want to lead. We didn’t choose to become a leader because it was going to be easy. We wanted to be the person others could count on to take control, to handle and navigate through any situation, no matter its size or complexity. Now is the time to step up. Your employees are counting on you. They believe in you.

How we lead right now says much about us. In times of adversity and change, we really discover who we are and what we’re made of. One of my favorite quotes is, “*Tough times don’t build character, they reveal it.*”

It is imperative to confidently show all our employees that this pandemic is temporary and *will* pass. We must appreciate the anxiety and stress every employee, fellow leader, vendor, and customer is experiencing in these difficult times. Morale is bound to be low. We must do our best to reduce fear and anxiety.

COMMUNICATE LIKE NEVER BEFORE

You are the only one to tell your story. Employees are hearing misinformation at an alarming rate from all directions, feeding their fear and anxiety and allowing them to imagine the worst. Employer communication is the most credible source of information during times like these.

Social distancing doesn’t mean social isolation. Your employees need to hear from you more than ever, and not just through emails and texting. Your #1 KPI should be measuring your communication time (preferably with live video) with colleagues, advisors, friends, and extended family each day. Dramatically up your talk time.

Months from now, not one employee will complain by saying, “My boss was so annoying during the pandemic.” In all our communication, we must be 100% transparent, especially with our team. Make sure your employees know the sacrifices everyone is making, including the company, such as tapping into lines of credit, cutting executives’ salaries, etc. While we don’t know when or how soon “normal” will return, let them know your short- and long-term strategies.

Refer back to your core values, mission, purpose, and service vision statements. This is why you created them. They are the foundation of what your business was built on. Pull them out, dust them off, and talk about what they mean during times like this. Walk the talk, and constantly share examples of how your people are modeling them through times like this. ■

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

SPONSORED CONTENT

1-800-Plumber +Air Operating in a Lucrative Industry with Untapped Potential

When it comes to plumbing and HVAC franchise opportunities no company has more to offer than 1-800-Plumber +Air. The Texas-based company's foundation of quality, value, convenience, and integrity make it one of the best franchise opportunities around. That's important because the plumbing and HVAC market offers enormous potential as the plumbing industry generates nearly $120 billion a year and no single company has more than 1% of the market.

1-800-Plumber +Air is an emerging brand that offers plumbing repairs, drain cleaning, heating and cooling, and more. Its solid and proven business model breeds successful franchisees who find it easy to scale their business. "Not only is there significant opportunity in the plumbing industry, we have found our franchisees experience even more success when the HVAC services are paired alongside the plumbing services," explains 1-800-Plumber +Air CEO Mark Collins. "The result is a higher rate of return on our customer acquisition cost and the opportunity for our franchisees to diversify their overhead expenses across multiple trades while increasing the opportunity for additional revenue." This is not currently being done in the plumbing and HVAC franchise space by any competitors. It's the power of the two services combined that gives 1-800-Plumber +Air a unique advantage.

The customer experience is also a critical part of the 1-800-Plumber +Air brand. Collins says, "We do not want to just be better than our competition, we want to deliver the best experience our customers have ever encountered, period." Franchisees are dedicated to making sure every customer has a positive experience with the brand. And each 1-800-Plumber +Air is locally-owned and operated, combining a highly-recognizable brand with local ownership allows franchisees to quickly set themselves apart within the marketplace.

The success of 1-800-Plumber +Air is no accident. Mark Collins is a 5th generation plumber who brings that multi-generational experience to the company. He's a Master Plumber in a family that has been serving the plumbing needs in the Houston area since 1905. This technical experience is critical to leading a plumbing franchise and when combined with the intangible core values that have been passed down from generation to generation, have been fundamental to the success of 1-800-Plumber +Air. Honesty and integrity are essential in creating a winning culture within an organization and are the qualities that the Collins family has demonstrated for more than a century.

Becoming part of a franchise is more than just working under a brand. It is also about being part of a team and a winning culture and system. If you are interested in being part of one of the fastest growing brands in the plumbing & HVAC industry, visit 1800PlumberFranchising.com or call 281-766-8535 to learn more about our company.

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1-800-PLUMBER® +AIR

If you are the owner of an independent plumbing business looking to take your success to the next level, or an entrepreneur looking for a franchise business opportunity with a solid future, 1-800-Plumber +Air could be the opportunity for you.

The Next Consumer Normal

3 ways franchisees can adjust to a changing marketplace

Written By
MATHIEU STEVENSON

Covid-19 was a significant disruptor for franchises. With mandated shutdowns, social distancing safety restrictions, and limited consumer demand, most franchises were forced to operate on reduced hours and with limited product and service offerings this spring, while others faced the hard decision to shut down completely. Now franchise owners and managers are tasked with understanding "What's next?" This entails not only managing their locations, staff, and business models in a post-Covid world, but also contending with a new economy that is constantly fluctuating.

The good news is that consumer confidence, which hit all-time lows during the onset of the pandemic, is making a slow rebound. Our data shows that while demand is not fully back to pre-Covid norms, there is an uptick in job postings as employees want to get back to work and consumers venture out to safely shop, dine, and more. But at the same time, consumer behavior is shifting as people adapt to virtual appointments and events, embrace contactless delivery, and become more aware of safety and social boundaries.

With this in mind, here are three ways franchise owners can adjust to this "next normal" of consumer behavior and, in the process, create a more sustainable, strategic business.

MAXIMIZE PICKUP AND DELIVERY OPTIONS

Takeout and pickup from quick-service restaurants have been online options for years, so the increase in deliveries to housebound customers during the pandemic is an acceleration and extension of well-established consumer behavior. And it's been great for job growth. Papa John's and Pizza Hut, for example, recently hired tens of thousands of new employees: managers, shift leaders, cooks, call center agents, and drivers. Using these new personnel, restaurants are able to better meet consumers where they are and where they feel most comfortable.

The most agile and adaptable full-service dining rooms shuttered by health orders also have turned to takeout. When full-service restaurants reopen, social distancing and other precautions will likely reduce seating capacity and increase costs in an industry that has traditionally operated on thin margins. Replacing some of that lost revenue may mean these establishments continue food preparation for takeout and home delivery, which could translate into more jobs for cooks, and redeploying servers idled by reduced dine-in capacity as delivery drivers. These changes to operating models are not just limited to food service. All franchisees should evaluate how they can modify their delivery services to best match consumers' comfort levels and the increased need for social distancing.

PRIORITIZE SAFETY AND HYGIENE

Consumers will continue to demand higher standards of hygiene and safety when shopping, dining, and traveling. Given that some pandemic-boosted behaviors have already become widespread, such as wearing masks in public and wiping down shopping carts and other surfaces, the public will expect the same standards from stores, restaurants, and other public venues.

As franchises look to reopen, they must consider the need to maintain (or increase) the positions required to uphold these new standards for cleanliness. For many, this could simply mean hiring additional staff who have extended sanitation duties and training. Others may choose to implement staggered start times and technologies such as virtual menus to reduce customer touchpoints and direct contact with staff. One restaurant owner in Seattle has even adopted an ultraviolet air scrubber to decontaminate the air customers will breathe in his dining room.

EXPERIMENT WITH FLEXIBILITY AND CONVENIENCE

Now is also a good time to re-examine what services your franchise offers to customers, and further, the value and ROI \each of these offerings provides. One obvious industry where this has already become reality is food service. Many restaurants have instituted "limited menu" options for easy carryout have found that most customers simply don't miss some items the business used to offer. Streamlining operations, even if it means removing some less-popular items from the menu, can help to reduce overhead, simplify back-office support work, and create more capacity to increase traffic and/or volume for the most profitable aspects of the business.

Whatever your business needs and obligations, take advantage of this time to experiment with new operational models such as restricted hours, free delivery, limited menus, "bespoke" services where customer requests are made to order, and so on. Most customers will appreciate the flexibility and convenience. They're also likely more willing than normal to be flexible as businesses try new methods of operation. Simply pay attention to what customers are most interested in and you can emerge from the quarantine prepared to deliver the precise services they want—while reining in spending at the same time.

LOOKING AHEAD TO THE NEXT NORMAL

While we're all eager for the day when the viral coast is clear, how consumers will act long-term during the post-pandemic rebound is uncertain. Moving forward, franchise leaders will have to continuously assess the changes they made in response to the crisis and see which serve their operations, workers, and customers best in the weeks and months ahead.

One thing that is clear is the need for flexibility—in business models, technology, personnel, and every other touchpoint used to demonstrate value to the consumer. Each day, new efficiencies are created and old standards are thrown away. For franchises in particular, this is an inflection point. Those who respond appropriately and strategically will continue to thrive in the long term.

Mathieu Stevenson is CEO of Snagajob. For more information, visit snagajob.com.

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Cash Flow Management

More important than ever in an uncertain economy

Written By
BARBARA NUSS

Picture yourself driving down a curvy road at night with a dirty windshield. That's what running your business is like without a forecast. Now visualize yourself on today's unpredictable business track. With all of today's bumps and dips, it's time to pull over, squeegee off your windshield, and get a fresh, clean view of what's ahead. While the road no doubt is still full of unforeseen hazards, seeing the curves ahead and making adjustments *before* you reach them gives you a distinct advantage. You'll have a fighting chance to navigate that turn—and the ones after that—adjusting and recalibrating as you go.

"2020 IS TOO UNPREDICTABLE TO PLAN"

It's tempting to throw your 2020 budget out the window and wing it. Not so fast. Your budget isn't a report card. It's a planning tool that helps foresee future cash shortages so you can get your financing in place now. This type of planning is more important than ever. Continually refine your rolling 12-month plan (this month plus 11 more). Be flexible. Adjust your plan frequently as the landscape becomes clear. Don't write off budgeting for 2020. Stay the course.

"MY SALES ARE GOING UP—WHY WORRY?"

Increased sales do not always mean more cash. In fact, an especially rapid rise in sales can mean less cash. Why? Because as today's sales increase, we're already writing checks for payroll and inventory to support tomorrow's sales. If you carry accounts receivable, it will take a while to collect. So you have a lot of money going out without much coming in, at least for a while. The timing gap between when you cut your checks and when you collect the money can happen even if your business is profitable. It causes cash shortages (aka dire problems and unhappy bankers). You can prevent the shortages by planning.

Not all businesses have this timing gap. For those that collect sales immediately, get paid for services daily, and don't carry inventory, a profitable month could yield positive net cash. Still, even they may find cash balances are slow to recover. Many are behind the 8-ball with large credit card balances and credit lines. Even as profits return, it will be months before we dig out of the holes created in the first half of 2020.

MANAGING CASH FLOW BEYOND SALES

Congratulate yourself for rebounding sales, but monitor how the following items are affecting cash flow.

Cost changes, especially staff. Has your cost structure changed? Pricing changes and workplace safety costs may lessen profitability. Do you have the right team in place for your level of sales? Do you need different talents to respond to market changes? Is staff productivity compromised by social distancing?

Debt repayments. How much of your PPP loan will be forgiven? What other obligations are there? Back rent or supplier balances, credit card balances, lines of credit, and term loans all will consume cash.

Inventory fluctuations. Do you have the right stuff? Our local wine shop's revenues increased during stay-at-home orders (go figure). Still, while customers bought more wine, they purchased lower-priced products. Rebalancing inventory mix to match customers' new buying patterns can require additional investment. Some industries have significant investments in inventory that's out of season or didn't sell. It will take a cash infusion to reinvest in new products.

Accounts receivable. Will collections slow? Will bad debts rise? What problems have your customers experienced? You're doing a good job managing your cash. Are they? If not, guess who becomes their new banker? You!

BUILD A ROLLING 12-MONTH PLAN

Your rolling 12-month plan should incorporate three things: 1) a sales plan (your best guess of forecasted revenue); 2) a profit plan (your budget for expenses, including staff reductions or recruitment); and 3) a cash flow plan (your borrowing plan that insures you'll have the funds to cover the impact of the timing gaps and debt repayment on your cash balance).

As we bump along this muddy, messy, curvy road, we need a clean, clear lens to find our way. Your rolling 12-month plan will provide clarity, enabling you to:

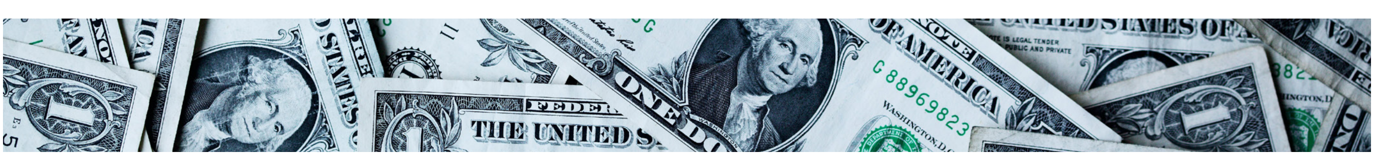
- visualize multiple possibilities and estimate cash requirements given different sales estimates;
- prioritize spending and make essential staffing decisions;
- quantify the cash impact of changing customer collection patterns and inventory management;
- estimate how much short-term credit you will need and when you can pay it back; and
- communicate more effectively with your banker and suppliers.

THE VALUE OF A CASH FLOW PLAN

Most well-run businesses use a budget that includes revenue, expenses, and profit. I've always been a big fan of extending P&L budgets to cash flow plans by considering the impact of timing gaps and debt repayments on cash flow. The resulting cash flow plan is an essential tool today, given the excess debt and inventory challenges created by closures or slowdowns.

So why doesn't everyone do this? Because it's hard! We use an Excel template to make cash flow planning easier. Even if you don't think cash flow planning is fun or easy, it's important to gain a clear view of the muddy road ahead. (You can download free cash flow planning tools from the Profit Soup website). ■

Barbara Nuss, CPA, is the president and founder of Profit Soup, a financial education organization specializing in providing services to franchisors and franchisees that enable them to trust their numbers, focus on priorities, make better decisions, and earn more profit. Learn more at www.profitsoup.com or call 206-282-3888.



What Now?

Thoughts on the next "new normal"

Written By
CAROL M. SCHLEIF

While there have been pandemics in the past, never before have countries around the world been able to simultaneously engage the "emergency brake," grinding the vast majority of global economic activity to a halt within a few weeks. The U.S., for example, went from unemployment at 50-year lows to more than 40 million unemployed in a matter of weeks.

As the crisis unfolded, fiscal, monetary, and corporate policy have been unparalleled. Companies immediately drew on credit lines, announced they were suspending guidance, cut dividends, pulled back on M&A and growth plans, and furloughed workers to preserve cash. Global central banks, including the U.S. Federal Reserve, cut policy rates, increased purchases of all sorts of debt to prop up markets, and eventually promised to do "whatever it takes" to keep critical parts of the global financial and cash movement systems lubricated. Politicians stepped in with historic aid packages aimed (unlike during the 2008–2009 crisis) at propping up individuals, rather than business or industries (though a variety of industries will be helped as well). For their part, global markets quickly adjusted to the new and seemingly riskier environment by resetting to a level more than one-third lower than the peaks achieved in late February.

Between the implications of the disease itself and the vast global experiment in work, schooling, and "social distancing," a jarring rethink of daily activity is in process. How quickly will we be able to get things back to "normal," and what precisely will that new normal look like? It's tempting to think we will collectively emerge as kinder, gentler, more deliberative individuals intent upon engaging in key discussions that should rightfully be addressed. Yet human nature has a strong desire to revert to places of comfort and deal with stress by distancing and denial. Let's tee up a few thoughts for what lasting impacts our collective experience might have for markets, economies, businesses, and perhaps even human nature.

A PEEK INTO THE "NEW NORMAL"

Even amidst the panic selling during the first few weeks, markets largely functioned. As we later learned, the vehemence of the initial downdraft was likely compounded by quantitative and other algorithmic traders quickly slashing equity exposures. The speed with which the repricing happened was actually quite healthy. The rapidity of both the down move and the subsequent retracement argue for diversified portfolios, regular rebalancing, and solid adherence to long-term asset allocation ranges.

News of the pandemic has seemingly crowded out all other headlines. Think about it: we are in the midst of a presidential election cycle which, up until a few months ago, was the primary source of headline news. We have been spared many rounds of political advertising, crowded out by Covid-19.

Will employers finally embrace moving data to where the workers are? Given social distancing norms, it's likely that putting people on crowded public transport to pack them into open cubicle farms and skyscraper workspaces (with packed elevators) will be a thing of the past. More likely is that online meetings, happy hours, and conferences become the new norm, at least some of the time and where possible. If so, what are the implications for hotels, airlines, commercial real estate, autos, dense cities, and public transport?

On the other hand, might we revive smaller suburbs and cities and spawn some much-needed capex and infrastructure spending?

Will things like telemedicine, remote monitoring of individuals through wearable devices, and more invasive monitoring of things such as temperatures before large events become the norm in the same way that airport security became more invasive and pervasive after 9/11?

Will corporations and countries initiate a global rethink of supply chains? Given 2 years of trade wars, plus pandemic-induced fractures, will the entire system be rethought? With the USMCA signed, will more manufacturing head back to North America?

It's likely that industries and companies with weak balance sheets, poor execution, and shrinking markets will accelerate their death spirals. On the other hand, given the number of companies that have pulled guidance, now is the time to radically rethink direction and philosophy to capitalize on new realities. Shareholders are giving many companies' earnings reports a "bye," while watching management decision-making especially closely. Who's adapting on the fly?

Will we use the experience of this crisis to have a global debate on everything from equitable access to health care and technology to better training and development programs? Given the taste many have had for exactly what goes into schooling, will we decide to pay our teachers (and nurses, first responders, grocery clerks, and food supply workers) commensurate with their position as "essential" workers?

Will we create more opportunities for job security by training more engineers, data scientists, coders, etc.?

KEY CONSIDERATIONS FOR INVESTORS

It's important to maintain a long-term perspective and remain calm, no matter how frenzied (up or down) markets behave in the near term. In general, diversified portfolios handled the recent volatility quite well as there were wide disparities among the performance of various asset classes.

Regular rebalancing. Numerous studies have shown market timing meets with limited success, especially when adjusted for tax and timing consequences. Regular rebalancing—by trimming appreciating asset classes that have grown to larger-than-desired percentages to reinvest in fundamentally sound asset classes that have temporarily underperformed—can have long-term steadying influences on portfolios.

Consult your planning team. The Congressional aid package includes a sweeping package of reforms and interim financial supports, with distinct changes to IRA and 401(k) distributions, tax dates, and a variety of other things that create interesting planning opportunities for investors. ■

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

AD INDEX

Think Positive

Finding the silver lining in the cloud called Covid-19

Written By
CARTY DAVIS

In the past 3 months, operators have focused their time, energy, planning, and execution on navigating through the adverse impacts of the coronavirus pandemic. This focus includes generating sales through new and expanded channels, minimizing operating losses, navigating through the Paycheck Protection Program, maximizing short-term liquidity through creditor, landlord, and franchisor abatement/deferral arrangements, and managing the retention and safety of employees and guests.

Conversely, through adversity comes opportunity, and as the country begins to reopen, certain positive trends are emerging. Well-positioned companies that have maintained sales, liquidity, and balance sheet strength can capitalize on opportunities in labor, development, acquisitions, and off-premise sales and delivery platforms. In addition, as many marginal units close and some brands cease operations, the competitive landscape will improve for the surviving companies and locations.

Labor. Before the coronavirus hit, the biggest challenge facing operators was labor. With record low unemployment before the pandemic, the labor market has shifted as the number of qualified candidates seeking employment continues to grow. The value and dependence on front-line and management staff has never been more evident. Successful operators will concentrate on necessary steps to upgrade pay and benefits. Consider investing in behavioral and benchmarking tools to hire more effectively and minimize turnover. Operators must continue to invest in their people.

Development. While most new unit development and conversions have largely slowed since the coronavirus surfaced, future development and conversions of new units will change dramatically. Many brands will curtail growth indefinitely as operators navigate through the evolution of the post–Covid-19 environment. Future development will significantly change both in customizing facilities to create efficiencies in drive-thru, delivery, and take-out; and in reengineering in-store layouts to minimize constraints in the post–Covid-19 environment.

The casual/sit-down dining segment has been most affected. Before Covid-19, the segment was struggling, with only select brands showing positive trends. This segment is crowded, and some operators and brands will be forced into bankruptcy and/or into closing their doors permanently. Covid-19 has only accelerated this process. Look for innovative solutions to the bigger dilemma of how to maintain sufficient sales and cash flow to survive. Some facilities may convert to ghost kitchens, while others may be converted to different concepts. Fewer new units will be built. Landlords will be flexible in keeping current tenants and attracting replacement tenants. Conversion opportunities will proliferate, resulting in lower expansion costs for opportunistic groups.

Acquisitions/capital markets. Traditional, time-tested valuation metrics are being questioned as the fundamental concept of going concern value is now under assault. Sellers will argue that the pandemic is a 4-month hiccup, while buyers will price in longer-term adjustments. Until valuations and the lending environment stabilize, deal activity will come from distressed sellers with forced exits because of liquidity and creditor issues. These distressed assets will trade at lower multiples, attracting more aggressive investors looking for value opportunities with higher risk and a greater equity component in the capital structure. Regulated lenders will be constrained until the Covid-19 recurrence risk abates and the competitive landscape normalizes. Non-bank lenders and lenders with minimal exposure to the industry pre–Covid-19 will have a competitive advantage. Private equity and family offices will continue to play large roles. Some opportunistic equity groups are already executing and actively seeking challenged transactions.

Growth and diversification. Operators are looking for ways to grow their business, and often struggle to grow within their existing portfolio of brands, and so diversification becomes inevitable. As well-positioned operators emerge from Covid-19, there will be ample acquisition opportunities from struggling franchisees looking to exit. Multi-concept franchisees are better positioned than their peers. For the same reasons as before Covid-19, diversification helps to limit exposure and spread risk. Within every segment there are winners and losers, and while some brands clearly stand out from others, it is impossible to predict what might happen in the future. Every brand is one step away from trouble. Diversification is one strategy to help mitigate that risk.

Off-premise sales and delivery. The competitive landscape and the channels through which businesses connect with consumers have forever changed. Off-premise sales, delivery, drive-thrus, and curbside pickup have all become commonplace as consumers increasingly rely on and expect these conveniences. These changes were already evident before Covid-19, but the pace of adaptation because of Covid-19 has accelerated the process. Pizza chains had a distinct advantage because they already had successful delivery/off-premise platforms. As a result, they have benefited greatly from Covid-19. The rest of the restaurant industry has been playing catch-up and trying to make the economics work, and has done so with varying degrees of success. Covid-19 has pushed everyone to accelerate the pace operators are approaching delivery/off-premise sales with, which has caused the competitive gap to close significantly—and much sooner than it would have otherwise. Brands and franchisees have been forced to make alternative channels more efficient and profitable. Drive-thru operations have become the most significant competitive advantage, benefiting QSR over other segments.

CONCLUSION

While the pandemic has had a dramatic effect on how business is conducted, the reality is that winners and losers will emerge in the post–Covid-19 world. The best brands and operators will focus on how to execute their operational, financial, and expansion strategies in the new normal while evolving and adapting to capitalize on expanded growth opportunities. ■

Carty Davis is a partner with C Squared Advisors, a boutique investment bank that has completed hundreds of transactions in the multi-unit franchise and restaurant space. Since 2004 he's been an area developer for Sport Clips in North Carolina with more than 70 units. Contact him at 910-528-1931 or carty@c2advisorygroup.com.

Father to Son

Passing the passion for Jersey Mike's to the next generation

Written By
RICH DOMANSKI

When I opened my first Jersey Mike's Subs location in Raleigh, N.C., back in 1995, there were about 30 locations nationwide. I was focused on running my store and wasn't thinking about an exit strategy. It was a second career for me after decades in the software development industry, and I couldn't wait to get started.

Jersey Mike's gets into your blood. Everyone loves the product. Wherever I go, people will see the Jersey Mike's logo on my shirt or hat and tell me their favorite sub. What has been important to me from the beginning is Jersey Mike's philosophy of making a difference in someone's life. During these coronavirus times alone, franchise owners across the country, including us, have donated millions of sub sandwiches to health care workers, seniors, children, and others. Also, this spring the company donated more than $2 million to Feeding America.

It's this kind of passion that drives the brand, so you can see why finding the right person to take on this business is critical. Fortunately, my son Matt is that person.

Matt, now 42, started working at Jersey Mike's on his 16th birthday. I was in the process of opening my first location, so he worked with other local franchise owners and gained valuable experience. From the beginning, it was clear Matt wanted to be there and enjoyed seeing the lines out the door. He wanted to serve as many people as he could and make them happy.

Matt learned everything he could about the business working part-time through high school, college, and culinary school. He also gained experience at several fine dining restaurants including opening Boca Bay in Wilmington, N.C. In 2003, he joined the family business full-time, feeling it was a better lifestyle fit.

MAKING THE PLAN

A few years back, in my 70s, I started to think about the "what ifs." What if something happens to me? What if things don't work out? It's hard to ask those questions because no one wants to think or talk about them. But we started planning. My wife Lizbeth and I also have two daughters who aren't involved in the business, so we wanted to come up with a plan that would work for everyone.

This is what we decided: Matt, Lizbeth, and I are partners in three locations in Raleigh. Matt runs the day-to-day operations now that Lizbeth and I retired about 5 years ago. If something happens to Lizbeth or me, the remaining share goes to the surviving spouse. Matt retains his third. When we are both gone, the business is entirely his.

To provide an equitable inheritance for our daughters, we bought an insurance policy naming them as the beneficiaries.

Taking the time in advance to think about an exit strategy for a smooth transition, exploring options, and then communicating the plan to the family may be difficult, but it's also essential to the future of your business—and to family relations. Here are some steps to consider for a smooth transition.

Build a strategy. An exit strategy should be part of your overall business plan. It's never too early to start considering your future plans. Will you transition the business to a family member? Is there one who is truly interested in the business? Do they have the knowledge, skills, and passion to carry on the business? What if more than one child expresses interest and all are qualified?

Review your franchise agreement. Find out in advance if there are any limitations. Most agreements say that if the franchise owner dies, the franchisor approves the successor. For us, since Matt is already approved by corporate as a partner, the transition should be seamless.

Confer with experts. Find trusted business advisors who are regularly involved with these types of agreements. You'll need a good financial advisor to counsel you on structure, an attorney to draw up the paperwork, and an accountant to review the tax implications. They should ask you questions you never considered to ensure there are no surprises at the end.

Put it in writing. Create a written contract that outlines the agreement, including pay structures, responsibilities, transference of shares, etc. Outline the final exit plan. For instance, does transfer happen upon retirement or death? This is in addition to a will. Make sure to review the agreement annually. Changes in your business situation or personal lives may require an update.

Communicate the plan with your family. Manage expectations up front by having candid discussions with your family and key team members about your succession plans. This is important to avoid misunderstandings or hard feelings. These discussions should happen early so there is time to address any concerns. We talked with all three of our children to make sure they were comfortable with our plan. They are all happy and we know it's a fair way to leave an inheritance.

Committing to having these difficult conversations up front and putting succession plans in place are critical to the long-term success of the business you worked so hard to develop.

Now it's time for Matt to develop his exit strategy. ■

Seismic Shift?

What does future multi-unit diversification look like?

Written By
DARRELL JOHNSON

We thought we knew how the end of this first generation of substantial multi-unit expansion was moving into the next generational phase, i.e., a combination of family/investor ownership buyouts, M&A consolidation, and continued expansion within and across brands. But the Covid-19 crisis is showing some initial signs of changing how this next generation of multi-unit operators will develop.

The reason is twofold: 1) the length of time this pandemic will be around, and 2) the impact it will have on future consumer behavior. Pandemics end when the virus doesn't have enough susceptible people to infect. The catastrophic 1918 Spanish flu pandemic is thought to have infected 500 million people worldwide, many of them soldiers living in close quarters fighting in World War I. Once the war ended and people dispersed, the spread slowed as people had less contact. But the flu was ultimately halted in large part because those who survived it had immunity and the virus didn't hop as easily as it did at the beginning.

Today we're pinning our hopes on a vaccine. Yet recent history shows that these types of viruses are a moving target. SARS reappeared four times after the global epidemic ended in 2003. The 2009 H1N1 pandemic (swine flu) may have lasted only a year or so, but 10 years later it is still around and causing illness and even death, even with vaccines chasing it. The point is that consumer behavior is likely changed, if not forever, at least for many years to come.

We are accustomed to getting inquiries from suppliers and lenders about sectors and brands. They are asking us similar questions about the crisis: How have sectors been affected, and within those sectors, which brands have adapted best? The problem with these questions is they focus on near-term results and not what the post-pandemic world will look like. A QSR may be doing really well because it's captured market share locally with take-out and home delivery ahead of competing brands. Is that sustainable? I wouldn't want to make a 10-year contract bet based on the pattern of activity over the next 12 months.

RETHINKING AND ADAPTING

Multi-unit operators are telling us they are starting to rethink what good unit/brand portfolio diversification looks like post-Covid. Many started with a food brand, then moved into additional food brands over time as an initial diversification move. Then came the move beyond food. That was built around their experience and knowledge bases of franchising and local markets. There has been a measurable and meaningful expansion over the past decade into non-food retail as well. An important part of that strategy was diversification. Balancing food and non-food retail units was thought to be a way of balancing risk, while benefiting from the knowledge of how to execute in retail as well as franchising.

In a similar way, non-food franchisees also expanded beyond initial brands, although our data shows that they tended to stay on the non-food side, especially if they were in residential services.

While many of the sub-sector food brands have been able to adjust to the current crisis, non-food retail has been hit hard and continues to suffer. Sectors like fitness appear to be heading toward a significant reduction in brands, as well as units. That brings into question whether many multi-unit operators had successfully diversified with their food/non-food retail strategy.

A strong argument can be made that we are not returning to an economy built as prominently on retail. Even if it turns out that retail does return to something similar to what we knew, a retail recovery will most likely be measured in years. What does that mean for future multi-unit expansion and diversification?

In the short term, it appears most retail-focused franchisees will be preoccupied with survival, and then adjustment—in the form of footprint requirements and layout, changed offerings, off-premise kitchens, mobile and delivery programs, and so forth. Those adjustments require fresh capital, which will delay further diversification efforts. However, we are seeing interest now by retail operators with units that managed through the crisis well, for what we expect to see much more of in the longer term: retail multi-brand diversification strategies likely to take them into areas mostly outside traditional retail, such as health care and education, sectors that have been affected, but that have a different set of recovery factors.

Residential services so far seem to show the most likely continuation of existing multi-unit strategies within and not outside related sectors. The relatively high cost of acquisition of a customer relationship in this sector is driving additional service offerings, and crisis recovery is following a better path.

For franchisors and suppliers trying to attract multi-unit operators, it is advisable to be aware of the changes coming to their diversification strategies and adjust your marketing messages accordingly. ■

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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When Paul Brockley entered the program at Palm Beach Atlantic University's Titus Center for Franchising, he envisioned the powerful impact it could have on his future.

Now set to graduate in May, Paul is the program's first-ever German Franchise Association Fellow, and has worked with the Chief Economic Advisor at the U.S. Embassy in Berlin. And while attending the global FranchiseExpo19 with program director Dr. John P. Hayes, he received multiple job offers from American and German companies, on the spot.

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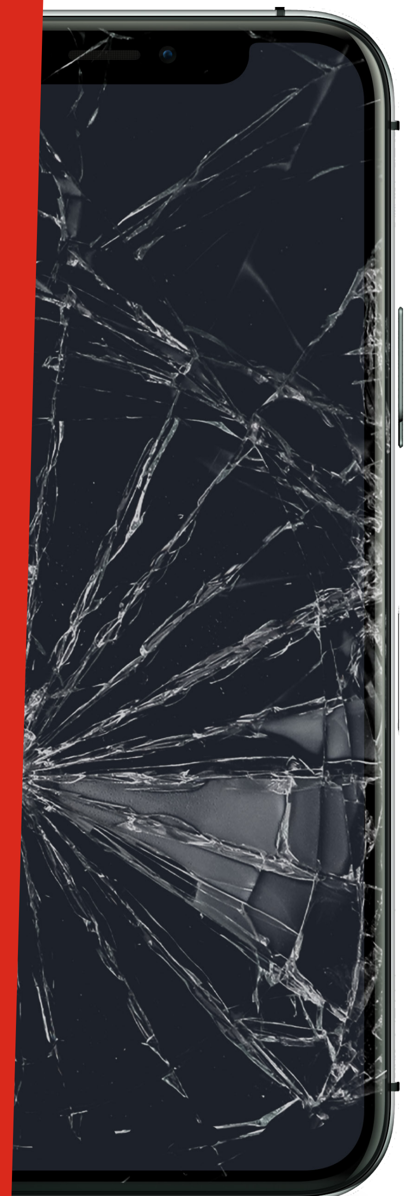

Average Second Year Total Revenue for Top 25 Stores

$701K

Average Second Year Gross Profit Revenue for Top 25 Stores

$429K

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*As published in Item 19 of our FDD dated May 14, 2020 these figures represent the average total revenue and gross profit (total revenue, minus cost of goods sold) for the top 25 of 271 out of 528 US franchisee-operated UBREAKIFIX stores from Jan. 2014 through Dec. 2019. Average second year total revenue for the top 25 stores was $700,980 (median $671,711). Average second year gross profit for the top 25 stores was $429,282 (median $417,620). Of the stores included for the second year, 8 (or 32%) attained or exceeded the average total revenue and 10 (or 40%) attained or exceeded the average gross profit. Average second year total revenue for the bottom 25 stores was $201,371 (median $209,568). Average second year gross profit for the bottom 25 stores was $131,076 (median $137,304). Of the stores included for the second year, 16 (or 64%) attained or exceeded the average total revenue and 14 (or 56%) attained or exceeded the average gross profit. You should review our FDD for details about these numbers. Your results may differ and there are no assurances you will do as well and must accept that risk.

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