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Q4 | 2020

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GenRock Capital Management, QRG

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EDITOR'S NOTE

Tough Times Reveal Character

Written By **EDDY GOLDBERG**

What would it mean, and to how many people, if you shut your doors today? In addition to your employees, those people would include your lenders, your landlords, your suppliers, even your accountant and attorney—as well as your community, from the local food bank to the Girl Scouts to No Kid Left Behind to... well, you get it.

As bad as you may feel you have it right now, there are a lot of people counting on you, and in so many ways... your young employees seeking career training and guidance or helping their families pay the bills, your management team and back room staff, even your franchisor. So it's on you, as a leader, whether you like it or not, to lead.

"You can't pick and choose when you want to lead," wrote John DiJulius earlier this year in our sister magazine, *Franchise Update.* "We didn't choose to become a leader because it was always going to be easy. We wanted to be the person who others could count on to take control, who could handle and navigate through any situation no matter its size. Now is the time to step up."

And that comes down to character. One of his favorite quotes is, *"Tough times don't build character, they reveal it."* Character is one of the strongest traits of the most successful multi-unit operators, and we see it in this issue's multi-unit franchisee profiles.

Steve Sanner is a perfect example. One of his company's founding principles is "Growing People Through Work." This involves continual training, providing a path of self-improvement, and making people better than they were when they started working for him, he says, and he backs that up.

"We teach classes in financial literacy and developing a can-do attitude. Everyone who works for us has a personal banker and a personal attorney to help as needed," he says. "We offer tuition reimbursement, first-time home buying programs, interest-free loans for anyone who gets in a financial jam, and rewards for coaching youth sports teams or giving back in other ways."

Another great example of character is Shawn Bouwens, whose wife Tracy is the largest Scooter's Coffee franchisee with 37 locations in 4 states. After years of seeing Tracy's success (and doing his bit by building her units through his commercial contracting company), Shawn joined the action by launching Culaccino Coffee Company and now operates 7 Scooter's of his own. His goal for Culaccino (an Italian word for the ring a coffee cup or wet glass leaves on a table) is to "leave a mark": the profits from his 7 stores go to help fight human trafficking worldwide.

In this, our annual Dominators issue, we found two unusually fast-growing partners: in just 3 years, they have created an operation with 200 Pizza Huts, 67 Moe's, and 27 Arby's with annual revenue approaching $350 million.

But you don't have to be a dominator to demonstrate character. Elaina Watley traded in a successful career in sports and entertainment marketing to become an Amazing Lash Studios franchisee. She has 3 studios open and 5 more on the way. Earlier this year, she visited Ghana, which turned out to be a life-changing experience. On her return to the U.S., she launched an endeavor to build a new school in Ghana and plans to create an investment fund to connect the global community to Ghana by providing more education on building viable and sustainable businesses there.

"In times of adversity and change, we really discover who we are and what we're made of," says DiJulius. Who are you?

“AUTO” PILOT

Building people and profits for 35 years

Written By **KERRY PIPES**

Steve Sanner was 25 when he and partners, Jay Greenfield and Jack Niggeman, purchased nine Jiffy Lube locations in the summer of 1985. He didn't know much about the automotive service industry, but he was a quick learner and determined to build a successful company. Together the trio built or acquired more than 30 stores in their first 3 years.

Sanner likes to tell the story of how, early on, he learned of nine 10 Minute Oil Change stores for sale in Fort Wayne, Lafayette, and Kokomo, Indiana, and Lexington, Kentucky. By all appearances it was a great opportunity. “The owner didn't want to wait for bank financing and offered the stores to me for $1 million if I could buy right then,” says Sanner. “So I called Jiffy Lube, who referred me to Bill Welcher, an executive at Pennzoil and a big supporter of Jiffy Lube. We called him, explained the situation, and he only asked one question: ‘How long will it take you to pay us back?’”

Welcher told Sanner to meet their private jet at his airport to pick up a check for $1 million. “We consummated the deal, got our bank financing, and returned the money to him within 45 days,” says Sanner.

There have been more big-time deals for Sanner. Like the one in 1999 when he acquired 34 QLubes, making his company the unquestioned top Jiffy Lube franchisee in Indiana. Today Sanner's JTM Automotive includes 50 Jiffy Lubes, 6 Tuffy Tire & Auto Service shops, and 5 Mighty Auto Parts franchises. He says he likes the synergy between the brands, noting that each serves a complementary niche in the auto services market. The brands are fans of his too: In the past 5 years, he's been named Franchisee of the Year by all three.

Sanner is a big believer in hiring the right people, giving them the training and tools they need, and letting them get the job done. In fact, one of his company's founding principles is what he calls “Growing People Through Work.” This involves constant training, providing a path of self-improvement, and making people better than they were when they started working for him.

“We teach classes in financial literacy and developing a can-do attitude. Everyone who works for us has a personal banker and a personal attorney to help as needed,” he says. “We offer tuition reimbursement, first-time home buying programs, interest-free loans for anyone who gets in a financial jam, and rewards for coaching youth sports teams or giving back in other ways.”

The formula has been working. JTM Automotive has had 9 consecutive years of record sales and profits. Even with the Covid pandemic, Sanner believes the company still has a long-shot chance of making it 10 years in a row, the goal that's driving him every day. “How cool would that be?” he says.

PERSONAL

First job: Caddie at Aronimink Golf Club.

Formative influences/events: A great friend was diagnosed with ALS at age 34. He never whined and never asked, “Why me?” He simply fought like hell for 19 years, accomplishing so much, even as he lost the use of his body. He lived by the mantra “It is what it is, deal with it.” The lessons I learned from him have made me a better person, a better husband, and a better father. They

STEVE SANNER, 60

President

Company: JTM Automotive

Units: 50 Jiffy Lube, 6 Tuffy Tire & Auto Service, 5 Mighty Auto Parts

Years in franchising: 35

Years in current position: 35

have also affected my children deeply. Whenever they were going through tough times, I would remind them, “Matt White never whined, so unless you want to trade places with him, I suggest you figure it out, deal with it, and overcome the challenge.” There is no better lesson for all of us to learn.

Key accomplishments: Building a great family with my wife of 31 years and our four children. Career-wise, it was incredible to be named both Jiffy Lube and Tuffy Franchisee of the Year in 2016, followed by being named Mighty Franchisee of the Year in 2017.

Biggest current challenge: Continuing to adjust and adapt to the Covid world, given the strong structure and procedures ingrained in us as franchisees over the years. Old dogs need to keep learning new tricks!

Next big goal: Achieving annual profitability at every individual store, shop, and warehouse we operate. We are getting closer, but we haven’t reached 100% yet.

First turning point in your career: The acquisition of 34 QLubes in 1999 solidified our Jiffy Lube business as the unquestioned leader in Indiana and positioned us for two decades of growth, and counting.

Best business decision: Becoming partners with Jack Niggeman and Jay Greenfield in 1985.

Hardest lesson learned: Sometimes there are deals that just cannot come together no matter how much sense you think they make, and you have to be willing to cut bait and walk away.

Work week: Whenever and wherever.

Exercise/workout: Walking on the golf course, playing paddle tennis and pickleball.

Best advice you ever got: Never Give Up.

What’s your passion in business? I love helping people take good care of their vehicles, and I love seeing our people Grow Through Work. Our legacy will be all the members of our team who built happy and productive lives alongside us.

How do you balance life and work? Working crazy hours has allowed me to be there for my family. I was able to coach football, basketball, and baseball. I rarely missed any of the kids’ games. We took great family trips and we found many ways to say “Yes.” At the same time, my guys aren’t surprised to get emails at 2 a.m. Tuesday or 6 a.m. Sunday. We joke that we usually only work half days—since 12 hours is half a day. Modern technology has made it easier to pick which 12 hours we work each day.

Guilty pleasure: Graeter’s Black Raspberry Chocolate Chip ice cream.

Favorite book: All-time: *A Man in Full* by Tom Wolfe. Recent: *Propeller: Accelerating Change by Getting Accountability Right* by Tanner Corbridge, Jared Jones, Craig Hickman, and Tom Smith.

Favorite movie: Too hard, I could list 100! “Stripes,” “Mr. Holland’s Opus,” “Hoosiers.”

What do most people not know about you? From 1976–78 my dad and I were Baltimore Colts season ticket holders. I moved to Indianapolis in 1985, the year after the Colts arrived here, but for completely unrelated reasons.

Pet peeve: People who say “No” too quickly. I like people who work to find a way to say “Yes” to opportunities that arise. Even though the right answer may ultimately be “No,” it should never be the first answer. Plus, when people know you will always make a serious effort to say “Yes,” they will present you with more opportunities!

What did you want to be when you grew up? A great father. So far so good, I hope.

Last vacation: Israel.

Person I’d most like to have lunch with: My grandfather—as long as he agrees to come down here. I am not ready to go up there yet.

MANAGEMENT

Business philosophy: Have fun making money. Take care of your people and they will take care of you. Do the right thing when no one is looking.

Management method or style: Set the goals. Train your people. Trust your people. Stay out of their way unless they need you.

Greatest challenge: Successful, consistent implementation of Jiffy Lube Multicare across all service centers, allowing us to add maintenance services such as tires, brakes, tune-ups, and minor repairs to our existing line. This is the future for our business as we work to become the "one-stop shop" for all your vehicle's maintenance needs.

How do others describe you? Some combination of the following: Bigger-than-life storyteller. Frustrating to debate. Refuses to give up. Rarely on time. Occasionally harsh and out of line. Teaser/smartass. Innovative. Big heart. Loves to laugh. Passionate. Loyal. Competitive. But hopefully, they would *all* describe me as a Great Family Man.

One thing I'm looking to do better: I have to take better care of myself.

How I give my team room to innovate and experiment: I believe that someone with great passion for an average idea of their own will succeed far more often than if I give them a great idea that they don't completely buy into. Having said that, I remind our people that if they run with my idea and it doesn't work, we share the blame; while if they ignore my idea and go their own way, there will only be one of us to blame, and it won't be me. So they had better make their idea work... and they usually do!

How close are you to operations? I set the course and I stay very close to the daily results, but I have never been completely hands-on, training out in the shop. Our greatest strength is the quality of people we have on our team. Our mighty COO has over 35 years of experience. Our Jiffy and Tuffy leadership team averages over 20 years in our JTM family. The newest member of our Ops team has been with us for 9 years. We have been blessed with an awesome group of committed professionals.

What are the two most important things you rely on from your franchisor? All three franchisors do a great job of providing high-quality training. We also take full advantage of the Jiffy Lube Fleet Program to drive business to our bays. Mighty and Tuffy are close-knit, "family style" franchisors who truly care about the success of their franchisees and are always available to help us achieve our goals.

What I need from vendors: Quality product and timely service. Transparency and a commitment that no one is buying from them at a better price than they charge us. We don't need to be wined and dined. Just value our business and do a good job.

Have you changed your marketing strategy in response to the economy? How? Our marketing approach has changed significantly over the years. We have all been mesmerized by the cool analytics possible with digital advertising and have shifted funds into those areas. But I still believe in mixing in some old-school, largely untrackable, "leap of faith" approaches like billboards, radio, and targeted TV. One intentional change we've made over the past decade is to specifically target women more than ever before. I'm not sure if men fully realize this yet, but women don't listen to male advice on car care the way they used to!

How is social media affecting your business? Social media requires constant and vigilant attention. A firestorm can erupt in minutes and do lasting damage to your reputation. It is often completely unfair and always extremely frustrating, but if you don't act quickly and decisively, you will wake up one day wondering what happened to the business you worked your whole life to build. At the same time, investing in positive social media and proactively building a strong brand reputation will provide some balance that can help you survive any negative situations that occur.

How do you hire and fire? We give a lot of people a chance and we stick with them as long as they are working hard to be their best, on and off the job. If they stop caring, they have to go.

How do you train and retain? One of our founding principles is Growing People Through Work. We are all about 24/7/365 training and developing talent. We demand that everyone who works for us gets onto a path of self-improvement. And while we take great pride in all of the longtime associates we have on our team, we also want to make sure that when someone leaves our "JTM family," they do so as a better person than they were when they started. We teach classes in financial literacy and developing a "can-do" attitude. Everyone who works for us has a personal banker and a personal attorney to help as needed. We offer tuition reimbursement, first-time home buying programs, interest-free loans for anyone who gets in a financial jam, rewards for coaching youth sports teams or giving back in other ways, and we do strict and random drug testing to make sure our people are taking their lives seriously.

How do you deal with problem employees? We have tremendous patience for those who make mistakes but do so with good intentions. We have no patience for people who stop taking pride in their work. We don't let go easy, though, and probably allow too many second, third, and fourth chances, but part of our Growing People Through Work program accepts that personal growth is a process, not a switch. At the end of the day, though, if you aren't with us, you're against us, at which point we "release you to the market."

Fastest way into my doghouse: Try to figure out what I want you to say and then say that, instead of just going with the truth. I have no time for people who play games and sugarcoat things. If you don't know the unvarnished facts, you can't make the best decisions.

COVID-19

What are the biggest impacts of Covid-19 on your business? While Covid was devastating to the business from March to May, there was a surprisingly positive side to it. We had never really thought of ourselves as being "essential," but we found out that we are. This realization was a big morale boost for us as we fought through the many changes and realities of operating in a Covid world. The pride that our teams earned by being part of the solution—helping essential workers keep their cars running well so they could save lives—will live on forever. We did our part in the face of a global pandemic. We mattered.

How have you responded? We had to adjust to keeping our guests in their cars at Jiffy Lube. That sounds simple, but it has created a whole host of changes to how we have traditionally performed our services. All of the entities had to get used to 100% compliance with mask wearing and the other mandates. Wearing masks while working and sweating in the summer heat is extremely uncomfortable. But we had no choice.

What changes do you think will be permanent? Many of our guests have enjoyed staying in their cars during service. I think we will continue to provide that option forever.

BOTTOM LINE

Annual revenue: More than I ever imagined.

2021 goals: It is a bit of a long shot, but we have had 9 consecutive years of record sales and profits. If we finish this year really well we have a shot at making it a full decade of record-setting performances, despite working through a global pandemic. How cool would that be?!

Growth meter: How do you measure your growth? Comp guest count and comp sales.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, right where I am today, growing intelligently and having fun innovating new ways to build the business. In 10 years, if I am still having this much fun, why change?

Do you have brands in different segments? Why/why not? Jiffy Lube and Tuffy are similar in many ways, although Tuffy is more focused on larger repair jobs, while Jiffy is more focused on helping people avoid the need for larger repairs. Jiffy is like a dentist. Tuffy is like an oral surgeon. Together, we can do anything. Mighty is a parts provider that services many different automotive shops. It is a different model as a warehouse/distribution business, but its success is tied directly to the success of the automotive service industry.

How is the economy in your regions affecting you, your employees, your customers? The economy appears to be rebounding, but there are still plenty of potential pitfalls, and any bad news could trigger a downward spiral. We are very cautiously optimistic that we have seen the worst of it.

Are you experiencing economic growth in your market? We are rebounding well from the Covid depths in almost every market, but the rebound feels tenuous at best.

How do changes in the economy affect the way you do business? When lots of people are buying new cars, we see a bit of a lag in business. When people decide to keep and maintain the cars they have, we pick up a bit. We are not very seasonal, but we are very resilient.

How do you forecast for your business? We produce a massive annual business plan that the entire leadership team helps write. We then look at current trends when setting/adjusting monthly budgets, making sure we keep the annual budgets in play while constantly pushing our teams to produce more.

What are the best sources for capital expansion? It has been great to have so many of the lenders who used to focus on working with restaurant chains now starting to develop an interest in funding automotive service expansion. I think Covid has shown how much safer a bet we are.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We have always taken our banking relationships extremely seriously. We take the approach that having a good working relationship/partnership is far more important than an extra ¼ point in rates. We have actually developed a wonderful relationship with a credit union that has helped fund our real estate portfolio.

What are you doing to take care of your employees? Everything we can possibly think of doing. Nothing matters more than our people. They are the "secret sauce" that makes everything work.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We have raised some prices and will likely need to continue to raise them over the next couple of years. That is always a scary proposition, but there is no choice. Our average hourly rate has increased almost 50 percent in the past 3 years, and it may do that again in the next 3 years. The "UN"Affordable Care Act has not helped our people, as they can't afford the co-pays, let alone the deductibles. Our society needs to stop arguing and fix this by providing free "basic" health care for all citizens.

What laws and regulations are affecting your business and how are you dealing with it? We always adjust and adapt as needed to laws and regulations. One thing we have had a lot of fun and success with the past few years has been our Public Art project, which has been a great way to engage with our community, bring beauty and interest to retail shopping areas, and keep our business relevant in-between service intervals. It has also made it easy for consumers to notice us and remember where we are located, since retail signage regulations have become increasingly stringent and restrictive in many areas.

How do you reward/recognize top-performing employees? We have regular, formal bonus programs that reward great performances, both weekly and monthly. We also have been doing quite a few "surprise" bonuses and raises for those who have done something exemplary. We have an annual Managers Awards Banquet at which we honor all of our top performers. We also hold fun competitions that get the shops competing against each other for fabulous prizes.

What kind of exit strategy do you have in place? I know we are supposed to think about that, but we are having too much fun these days. None of our children is interested in taking over the reins, so whatever happens down the road will mark the end of the Sanner and Greenfield family's involvement in the industry that has provided so much to us. That is a little sad, but all good things must come to an end sometime, right? ■

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RIDING THE FAST TRACK

PARTNERS GROW TO NEARLY 300 UNITS IN 2 YEARS

Written By **KERRY PIPES**

Matt Slaine thinks big—like last spring when he purchased 67 Moe's Southwest Grill locations from four franchisees. His company, Quality Restaurant Group (QRG), is a $350 million organization that also oversees 200 Pizza Huts and 27 Arby's. Not bad for a company that didn't even exist just a few years ago!

Slaine is CEO of QRG, which was founded in North Carolina in 2017 and employs more than 7,500. He, along with business partner and best friend Matt Ailey, is also a partner in GenRock Capital Management. The corporate structure goes something like this: GenRock Capital Management backs QRG, which is the parent company for Quality Huts (Pizza Hut) and Quality Meats (Arby's).

Quality Huts is one of the largest Pizza Hut operators, with 200 units across Illinois, Indiana, Maryland, and Pennsylvania. Quality Meats operates 27 Arby's in Nebraska, Wyoming, Colorado, Montana, and South Dakota. Quality Fresca is the newest division for QRG and will operate the recently acquired 67 Moe's—making QRG the largest Moe's Southwest Grill franchisee.

But Slaine and Ailey aren't just interested in developing a dominant world-class, multi-brand empire. They're also focused on their vision to become "quality franchisee entrepreneurs who believe in a quality people-first culture that drives an unparalleled spirit of customer service for our guests in our restaurants."

Slaine says he demands buy-in on the company's core values from all team members. "Each team establishes regular goals that are shared throughout the organization," he says. "These goals support the vision and metrics so progress can be measured." He believes when all these pieces are in place, financial results will follow.

While working on their 10th acquisition, they took time out to share more about their lives as friends, business associates, and entrepreneurs.

PERSONAL
MATT SLAINE

First job: EMT, which taught me how to function well under pressure, prioritize and triage issues, and make decisions under stress.

Formative influences/events: My grandfather escaped Nazi Germany as a young man and came over to the U.S. to join the U.S. Army and risk his life for what he believed in. He would later be wounded on the beaches of Normandy. He survived and worked every day the rest of his life selling shoes and providing for his family. He, alongside my father, taught me the value of hard work every day and that you rarely just get lucky in life, but you always can be tenacious and create your own luck and fight for what you believe in.

Key accomplishments: Professionally, building my former media business into something that was attractive enough for a large public company to have an interest in acquiring.

Biggest current challenge: Trying to be a great dad to three young children, a husband to an amazing wife, and build a great company that will soon be composed of more than 350 franchised restaurants.

Next big goal: Building a deep and talented management team and support structure that aligns with our core values and is equally obsessed with our entrepreneurial vision.

First turning point in your career: Working as an investment banker in a NYC bulge bracket investment bank during the 2008 financial crisis and realizing this wasn't the career or life I wanted. It was a great time to restart and use my differentiated experience to pivot toward entrepreneurial leadership roles.

Best business decision: Partnering with one of my best friends, someone I've known over 15 years, to build a business focused on a singular vision of being the one of the best operators of franchised restaurants in the country.

Hardest lesson learned: Leadership requires being a great follower too, and picking spots to interject. Don't try to change everything at once.

Work week: This business operates 7 days a week. There is no work week.

Exercise/workout: As CEO you give all your available energy to supporting others, so it's important to refuel, and exercise is a big part of this for me. I do about 150 to 200 miles on my Peloton bike every month.

MATT AILEY, 33

Managing Partner, Founder

Company: GenRock Capital Management, Quality Restaurant Group

Units: 200 Pizza Hut, 67 Moe's Southwest Grill, 27 Arby's

Family: Husband Greg

Years in current position: 3

MATT SLAINE, 36

CEO, Quality Restaurant Group; Operating Partner, GenRock Capital Management

Company: Quality Restaurant Group

Units: 200 Pizza Hut, 67 Moe's Southwest Grill, 27 Arby's

Family: Wife Michele; 3 kids, Mia, Mack, Miles; dog Max

Years in current position: 2

MATT AILEY

Best advice you ever got: Never let anyone convince you that you cannot do something. If you are prepared, practiced, organized, and have advice from the right people, you can do anything. It requires work and a lot of preparation, but if done correctly you can accomplish your goal.

What's your passion in business? Building growing companies through M&A that create more value than the individual pieces that were used to build them. I enjoy structuring businesses in thoughtful and complex ways to minimize risk and create multiple avenues for value creation.

How do you balance life and work? My work life and personal life are highly integrated. I work a lot, but I enjoy working. My friends enjoy their work, and I like learning about their work and sharing things about my work.

Guilty pleasure: Tennis lessons.

Favorite book: *The Great Gatsby.*

Favorite movie: "The Shawshank Redemption."

What do most people not know about you? I grew up in a small town in Tennessee.

Pet peeve: Lack of organization and attention to detail.

What did you want to be when you grew up? Corporate litigator.

Last vacation: Nantucket.

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

MANAGEMENT

MATT SLAINE

Business philosophy: Establish and gain buy-in on the company's core values and make it clear that these are the values over which we hire and fire. They are also the only building blocks we use toward achieving a vision, or what I call our north star. Each team establishes regular goals that are shared throughout the organization. These goals support the vision and have quantitative metrics associated so that progress can be measured and there is always complete clarity. I believe financial results will follow if someone has bought into our values and vision.

Management method or style: Approachable to help create clarity, and flexible to lead and follow as the situation warrants. I'm a mile wide and inch deep, so I surround myself with talented specialists.

Greatest challenge: Balancing the many facets of my role: a robust and always-evolving pipeline of acquisition opportunities, our large real estate portfolio business, financing and capital allocation decisions, and investor-related activities (my role as operating partner of GenRock Capital Management) with managing the day-to-day business needs and being available for the team (my role as CEO of QRG).

How do others describe you? You'd have to ask others.

One thing I'm looking to do better: Spending more time in our restaurants and with our front-line teams.

How I give my team room to innovate and experiment: The entire genesis of QRG is an experiment and an exercise in innovation. QRG didn't exist 2 years ago, and we are working on our 10th acquisition while trying to build a unified culture, management team, processes, and procedures. We are incredibly lean from a corporate support perspective, so we must all be innovative and risk-taking to do almost anything, because in many situations it's the first time QRG has faced that particular question or challenge.

How close are you to operations? I speak almost daily to each of our operations leaders for our brands and am very involved in helping them think through concerns or changes to the business on a macro and sometimes micro basis. The Covid situation has forced us to be extremely nimble and adaptable, and I've worked through all sorts of operational situations the past few months that no one would have imagined just 6 months ago. I'm so proud of our leadership on how they and their teams have handled this unprecedented situation.

MATT AILEY

What are the two most important things you rely on from your franchisor? Health of the franchise system and marketing leadership. The franchisor-franchisee relationship is a symbiotic one, but it's also a vertical relationship with franchisors above franchisees. Both sides have responsibility. Franchisors of any brand or concept must ensure that the economics of the business are viable, so franchisees are financially healthy and able to grow. Franchisors must also execute on brand leadership, particularly on defining the brand's marketing identity.

What I need from vendors: Consistency, quality, and communication.

Have you changed your marketing strategy in response to the economy? How? We rely on the leadership in our stores and in the field to be our best marketers and salespeople. All the marketing dollars in the world won't replace executing at a high level and creating a smile with a guest.

How is social media affecting your business? Social media affects every business, including the franchised restaurant industry. Social media creates an avenue to amplify all successes and mistakes. We have to ensure that our employees are all ambassadors of the QRG culture so that we manage risk associated with social media. On the other hand, social media also introduces new marketing channels and the ability for a brand or product to go viral.

How do you hire and fire? As a private equity investor, I hire and fire based on financial results, overall strategic vision, and accountability to both of those factors.

How do you train and retain? Incentivize people to perform to a desired goal, ensure they have the skills necessary to achieve the goal, and let them accomplish the goals so they are part of the success.

How do you deal with problem employees? Typically, issues arise because someone has a "can't" problem (lacking skills or capability to do something, which requires training or a different role), or a "won't" problem (lack of willingness or effort, either of which requires incentivizing the person). "Won't" problems from lack of effort are often not solvable.

Fastest way into my doghouse: Not being prepared for a meeting or discussion. We are very busy and don't like to waste our time.

COVID-19

MATT SLAINE

What are the biggest impacts of Covid-19 on your business? While we always put our people first ("Quality People First" is our first core value), that takes on a whole new meaning in a pandemic where we are an essential business providing meals to so many families who must stay home. We've had to completely reorient our business to ensure the health and safety of our team members, and guests come first in a whole new way. We have done this by reinforcing food safety and hygiene brand standards on top of additional pre-shift health screenings, contactless operations, regular sanitation and hygiene protocols, and many other operational changes—all with a smile (behind a mask). The way consumers engage with restaurant brands completely changed almost immediately when the impact of Covid-19 hit in mid-March. Guests were no longer dining in-restaurant or ordering catering but still wanted their favorite meals to be accessible and convenient. Covid-19 has affected our menu and offerings as well, which affects supply chain, in-house and third-party delivery, as well as the creation of contactless carry-out and delivery.

How have you responded? Our brands were quick to respond to the immediate change in consumer behavior. Moe's launched delivery in all locations through our owned channels (web and mobile app) and curbside pickup almost immediately. Moe's also launched new menu options including meal kits: taco, nacho, and fajita for families and groups of 4 to 6 people to enjoy at home. Our other brands have also responded in their own ways. For example, Pizza Hut was the first national pizza brand to launch contactless carry-out and delivery, and Arby's redirected 100% of the business to drive-thru until a safe reopening plan could be put together and rolled out.

What changes do you think will be permanent? The heightened concern for health and safety is here to stay. And the off-premise business will continue to grow, including delivery, carry-out, and curbside.

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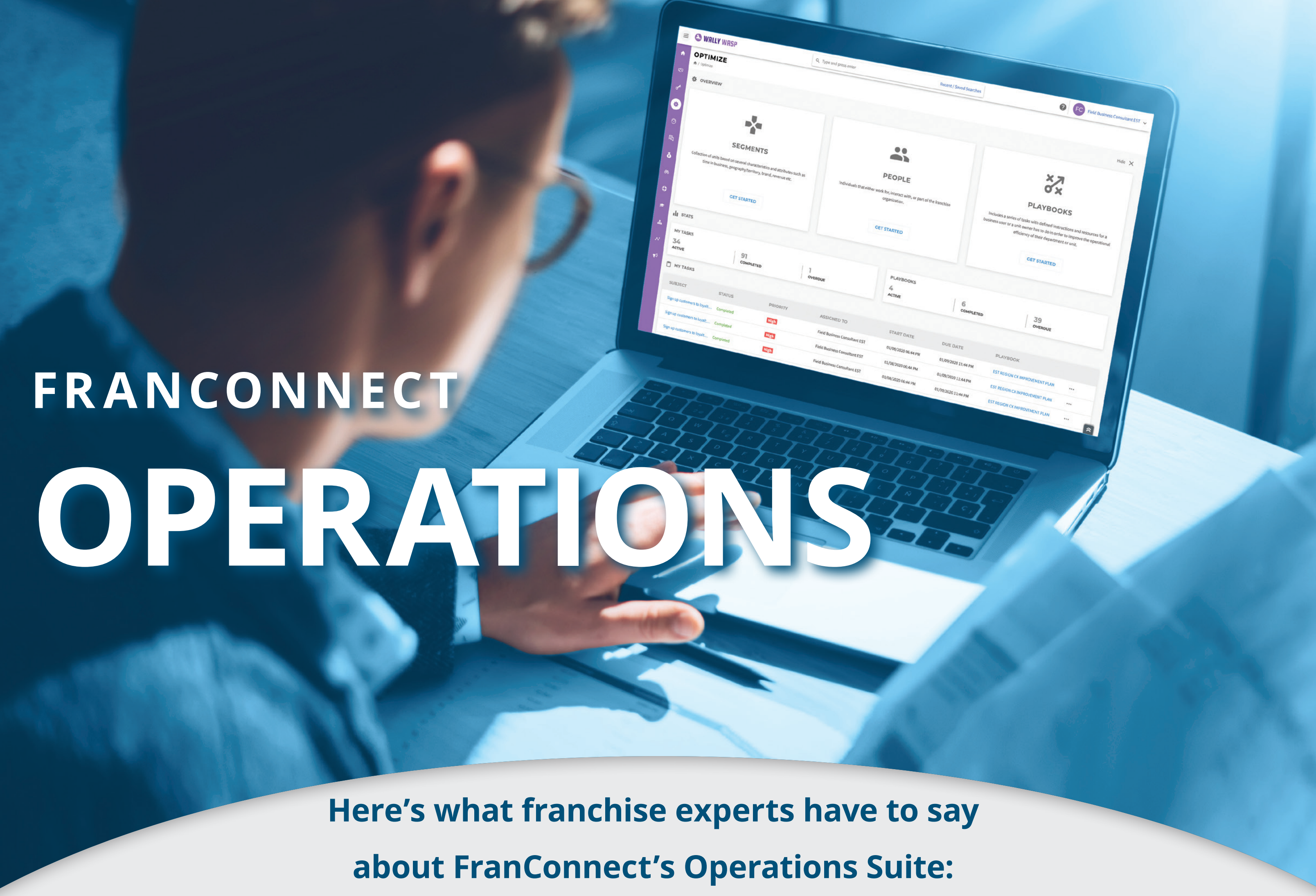

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BOTTOM LINE
MATT AILEY
Annual revenue: QRG will be almost $350 million by Q4 2020.

2021 goals: After 10 consecutive acquisitions over 3 years, fully integrate QRG into one business under the leadership of Matt Slaine and finish building the right long-term team so the business can flourish for years to come and add incremental units as it makes sense.

Growth meter: How do you measure your growth? You have to be ready to grow. You cannot grow if you're not prepared. So I measure our growth by preparedness to grow. In the M&A world, growth is often opportunistic, so if you're ready to grow, you will be able to grow. Otherwise, I measure our growth by capital availability. We are structured so that we have visibility to capital to grow.

Vision meter: Where do you want to be in 5 years? 10 years? I would like to continue to manage capital on behalf of our investors and pursue platform and "roll-up" investments.

Do you have brands in different segments? Why/why not? We have both traditional/legacy QSR brands as well as Moe's, a fast casual brand. We believe in diversification, but also scale within each brand. We do not want to have a single brand, but we do not want 10 different brands where we lose focus and efficiency.

How is the economy in your regions affecting you, your employees, your customers? We operate throughout most of the U.S., but regional economic trends certainly affect our businesses. The biggest economic factor for all of our businesses is the impact of Covid-19, which affects everyone, including our employees and customers.

Are you experiencing economic growth in your market? Given Covid-19, the entire U.S. is in an economic recession. Hopefully we will recover quickly, but we are prepared for any lasting impacts of this pandemic. Covid has affected each of our brands very differently.

How do changes in the economy affect the way you do business? We operate in a fairly stable end market. At the end of the day, people have to eat, and the U.S. consumer trusts large and well-established brands. Changes in the economy affect our costs and margins more than revenue, so we have to be laser-focused on changes in costs (labor, commodities, rents, etc.) to ensure we are able to navigate economic changes successfully.

MATT SLAINE
How do you forecast for your business? We have an annual budgeting process in place, and the entire team across brands meets twice a year to reforecast and discuss challenges and best practices so that we can benefit from cross-brand and cross-geography knowledge.

What are the best sources for capital expansion? We are very fortunate to have investors who are patient, oriented toward the long term, and who understand QRG's vision and the path we are on.

Experience with private equity, local banks, national banks, other institutions? Why/why not? I am at an advantage as an operator because of my previous experience in banking and capital allocation decisions. While capital allocation is Matt Ailey's primary role, the operational decisions of the company have an impact on financing decisions, and decisions have to be made holistically with both the company and/or investors in mind.

What are you doing to take care of your employees? The best way to take care of our employees is to make smart, long-term, value-accretive business decisions. This allows us to remain competitive on wages and benefits and give them security in their employment. In addition to this, we are constantly creating opportunities for our employees to earn additional bonuses, benefits, giveaways, and other perks while ensuring their health and safety through investments in PPE and sanitation procedures.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? The best part about this business is that is all centered around people. People can create huge value in your company by creating loyal guests and building sales. The other side of that coin is that a people-focused business also wrestles with a changing cost structure, so we are constantly adapting our operations to handle the fluctuations of all input costs—people being the largest one. This requires creativity and flexibility.

What laws and regulations are affecting your business and how are you dealing with them? Our primary concern is following all laws and regulations to keep employees and guests safe and protected. This starts with food safety and cannot be emphasized enough. One of the best parts of being involved in large national brands is their emphasis on training, especially as it relates to hygiene and food safety. The reason national brands have performed the way they have during the pandemic is because people trust that there are food safety standards (in the supply chain and in the restaurant) that may not exist in an independent food establishment. Of course we follow all other laws and regulations related to employee well-being and safety, and this is tracked closely by our human resources and legal teams.

How do you reward/recognize top-performing employees? Each of our brands has a regular bonus program to reward and recognize top-performing employees. In addition, each month we emphasize one of our seven core values and reward the individuals and teams nominated for exhibiting a particular core value throughout the month. Each core value has a pin, and our employees will aim to collect all seven pins for each of our core values.

What kind of exit strategy do you have in place? We are highly focused on achieving our vision and building a great franchised restaurant business. We know that if we build the most respected and well-run organization in the space that financial results will follow accordingly. Our vision: To live our core values and build a team of highly effective team members and leaders unequivocally determined to be the most respected and well-run private organization in the quick service and fast casual restaurant segments. ■

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Beauty Above the Mask

Doing well by doing good, from New Jersey to Ghana

Written By **KERRY PIPES**

Elaina Watley had a lucrative career in sports and entertainment marketing. She worked for top agencies including Creative Artists Agency and William Morris Endeavor, where she represented NFL players. Then she founded Brand Infinite, a marketing agency that managed the careers of professional athletes. She served as co-executive producer for a Showtime documentary with LeBron James and promoted clients who became *New York Times* best sellers. She also was part of creating and promoting a custom Nike shoe for former New York Giants wide receiver Victor Cruz.

Though her career had been rewarding and fulfilling, she was feeling drawn to something different. "After working primarily with men, I saw an opportunity to promote entrepreneurship within women," she says. "It was that moment in my life that propelled me into franchising in the beauty space." Today she operates three Amazing Lash Studio locations in New Jersey with five more in development.

Watley had seen the power of franchising in the lives of friends who had been successful with it. "I liked the scalability of franchising," she says. When she began meeting with representatives from Amazing Lash Studio 5 years ago, she knew it was the right fit. The brand, she says, was up front with its strategies and financials and she felt they really listened to her ideas. She also liked that it was an emerging brand that offered potential. Her three open studios are in Clifton, Montclair, and Florham Park, New Jersey.

But it hasn't been all about growing her own franchise empire. Watley will quickly tell you she is also passionate about inspiring other women to become business owners. Her vision has helped her build career opportunities for her employees and for other female entrepreneurs to grow. She's invested in financial training for her employees and developed an ownership and equity model based on a percentage of profitability.

Earlier this year, Watley visited Ghana for what turned out to be a life-changing trip, where she fell in love with the people and the land. When she returned home she launched an endeavor called The Butterfly Effect. One of the company's initiatives is to build a new school in Ghana. "The current school already has after-school programs in place, so our plan is to expand upon that by building a state-of-the-art facility that provides classes for the entire day," she says. Furthermore, she plans to create an investment fund to connect the global community to Ghana by providing more education on building viable and sustainable businesses.

You might expect that Watley would have more big goals in mind for 2021 and you'd be right. Looking ahead, she'd like to launch her own beauty line, open three new studios, acquire another one, and continue raising money for the school in Ghana. In business and in life, she's doing well *and* doing good.

PERSONAL

First job: My first job was with Creative Artists Agency (CAA) working specifically in entertainment marketing.

Formative influences/events: I worked at CAA for 4 years and switched to a new agency, William Morris Endeavor, where I represented a variety of NFL players and landed them marketing

ELAINA WATLEY, 35

Multi-unit franchisee

Company: Amazing Lash Studio
Units: 3 open, 5 in development
Family: Single, one daughter
Years in franchising: 4
Years in current position: 4

opportunities. While I found my work incredibly rewarding, I knew I wanted to do something different. After working primarily with men, I saw an opportunity to promote entrepreneurship within women. It was that moment in my life that propelled me into franchising in the beauty space.

Key accomplishments: When I worked in sports, it was always my goal to grant my client's wishes. One of my favorite moments was when I was able to be a co-executive producer for a Showtime documentary with LeBron James. I've also been able to promote a client to be a *New York Times* best-seller and created a custom Nike shoe for former New York Giants wide receiver Victor Cruz that sold globally. Transitioning into the beauty and franchising space has been a big accomplishment as I continue to grow with Amazing Lash and inspire women to pursue business ownership.

Biggest current challenge: Financing my desire to expand.

Next big goal: I would like to launch my own beauty line. Additionally, I would like to grow with Amazing Lash and own an entire region.

First turning point in your career: There have been so many. The first was when I realized I wanted to leave my career in sports and entertainment marketing and go into business ownership in the beauty space through franchising with Amazing Lash. It has been a blessing to grow as a business owner and inspire women to pursue entrepreneurship.

Best business decision: Purchasing two additional locations after my Montclair studio showed me franchising in a different way. It was this moment that I knew multi-unit ownership was for me. I am excited to keep growing with Amazing Lash while creating a blueprint for women who want to become business owners. Some of these women happen to be my employees, and I want to help them grow and see a pathway to ownership.

Hardest lesson learned: Not implementing automated business systems earlier.

Work week: My work week is ever-changing, especially in the midst of a global pandemic. A lot of it stems from the goals I want to accomplish for the week. I am a very goal-driven person. Planning for the future means being responsive to what is happening today.

Exercise/workout: I recently started biking and ride 30 miles a week. I also take time every day to meditate, and weight train three days a week.

Best advice you ever got: To think outside the box, you must define it first.

What's your passion in business? Having scalability, while also having net profits be consistent. The goal is measurable scalability without a decrease in profitability so we can be a sustainable business. Another key passion of mine is creating a launchpad for entrepreneurship for my employees.

How do you balance life and work? It's hard to balance, but I do the best I can. I have an 8-year-old daughter. She plays golf and speaks three different languages. I'm a single mother and she means the world to me, so every moment I get to spend with her is a blessing. I also enjoy traveling. I always say that my spirit tells me to travel. My favorite destination is Ghana.

Guilty pleasure: Sometimes there are just days where you need to turn the music up all the way and sing. For me, that is most days.

Favorite book: *The Art of Seduction* by Robert Greene.

Favorite movie: "Sound of Music."

What do most people not know about you? I graduated high school when I was 16.

Pet peeve: When people are not able to be proactive in their desire to develop.

What did you want to be when you grew up? I always wanted to be an orthopedic surgeon.

Last vacation: I went to Ghana, and we are currently building a house and a school there. The school broke ground on February 21, 2020 and will be built by September 2021. The name of the school is Lilies of the Field and will be for kids in kindergarten through high school.

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

MANAGEMENT

Business philosophy: To employ an ecosystem that is capable of committing to their role and that carries out the tasks they have been employed for.

Management method or style: To be transparent, accountable, self-sufficient, and to always encourage continuing education.

Greatest challenge: That I have been able to develop many of my employees into leaders and partners. As a result, it is difficult to find a place for these developed leaders to grow their careers. I don't want them to outgrow the business, and I want them to be in a strong financial position while doing what they love.

How do others describe you? As a selfless businesswoman who cares more about people's development than myself and who has a strong passion for business acquisition and strategy.

One thing I'm looking to do better: I want to dedicate more of my time to being in the field. Naturally, my time is spent handling office work and administrative paperwork. I went from owning three studios to having another five in development, which in turn goes from managing 30 to more than 150 employees. My goal is to spend four hours of my week doing paperwork and the rest of my time helping my team grow their businesses.

How I give my team room to innovate and experiment: I'm a multi-unit franchisee and Amazing Lash is fantastic at giving us best practices to implement. Based on this information, I will then take it to my team and have the Studio Support Center team lead training so they know how to do it right the first time. We brainstorm as a team how we can continue to grow and retain our customer base, as our main goal is to have 85 percent restored clients.

How close are you to operations? I am very involved in the day-to-day operations. I conduct a senior leadership call with managers every single day and then have one-on-one conversations with those managers to track weekly and monthly goals. I am in charge of inventory, budgeting, marketing, and hiring decisions. Being involved in all aspects of the business is what makes a strong multi-unit franchisee. You have to show others how invested you are in their success to help them grow into leaders.

What are the two most important things you rely on from your franchisor? 1) Learning and development. The brand recently launched Amazing Lash Studio Online University, a learning platform that has been transformational and offers courses for all of my team from stylists to managers to lash consultants; and 2) Operations and best practices. The Support Center team takes a very hands-on approach to helping me and my team. From one-to-one calls to regional best practice sharing to webinars, there is always an opportunity to learn from the Support Center, as well as from my fellow franchisees.

Have you changed your marketing strategy in response to the economy? We have spent more on our digital marketing strategy, which has created higher-quality leads since we have reopened. We are now closing those leads at 60 percent compared with 30 percent before.

How is social media affecting your business? Social media has affected us in a very positive way. With lots of people at home and keeping up with social media, we realize we need to stay relevant on the digital front. That's why we have invested more into digital marketing tools to meet our consumers where they are on places like Facebook and Instagram. As a result, we have been doing more Facebook live and Instagram stories from our studios showing consumers how we are operating and that we are open for business.

How do you hire and fire? Hiring for me is a four-step process. Our director of marketing will conduct a phone interview with the candidate. Based on the phone interview, we then conduct a Zoom interview to see how the guest would sell a customer a product. Step three is an in-person interview where they would shadow one of our stylists and see how the job is performed, in addition to the front desk. Based on those three steps, we then decide to either hire or go in a different direction.

How do you train and retain? The brand recently launched Amazing Lash Studio Online University for franchisees and all studio employees, and it's really been transformational for my team. Now we have access to courses that range from technical to more leadership-focused opportunities. I also offer continuing educational and other learning opportunities and coach every single day. From a retaining perspective, I conduct weekly one-on-ones and dedicate time to my team and help them grow in their careers.

How do you deal with problem employees? Whenever there is an issue, we handle it right then and there. I believe that handling problems right when they happen creates a strong accountability structure.

Fastest way into my doghouse: To commit to a task you said you were capable of completing with no questions asked and then not doing it how it was supposed to be completed.

COVID-19

What are the biggest impacts of Covid-19 on your business? We were closed for 3 months, which allowed no revenue for a quarter of the year. We are currently getting our members back active on membership payments, which has been challenging at times. The biggest impact is making our employees and customers feel safe. We wore gloves and masks before Covid-19, but we are now implementing 10-minute time gaps between each client, offering curbside check-in, and conducting temperature checks with customers and employees.

How have you responded? I have to really commend the Support Center team for their help in navigating these uncertain times. The entire team has worked since this pandemic started to give franchisees the tools they need. They've launched a robust safety and sanitation process to help keep our employees and guests safe. Additionally, they launched the Operation Rise Up playbook, which provided me and my team with marketing, operations, and learning and development tools and resources. On the studio level, I have responded in a variety of ways. I used the downtime for additional training through the Online University. This allowed our team to dive deeper than we would normally get to if business were running as usual. Also, identifying key strategic mergers and acquisitions has been really important for me over

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What changes do you think will be permanent? Permanent changes I expect to see will be the wearing of gloves and masks, temperature checks, questionnaires, and curbside check-in.

BOTTOM LINE
Annual revenue: Almost $3.5 million (3 studios, 2019).

2021 goals: I would like to launch my own beauty line, open three new studios, acquire a studio, and raise money for the school we are building in Ghana.

Growth meter: How do you measure your growth? Net income, net profit, and is it scalable.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, I would like be a franchisor with my first concept opening by 2025. In 10 years, I hope to sell that concept for north of $100 million.

Do you have brands in different segments? Why/why not? I am developing a skin care brand, but I see a strong opportunity within the beauty segment to keep growing within the industry.

How is the economy in your region affecting you, your employees, your customers? We are seeing lots of prospects come through our doors, which has been really encouraging. One of the biggest factors we have realized is that people still care about how they look no matter if they are working from home, from the office, or not working at all. With mask coverings predominantly covering the mouth, more people are willing to spend on lashes. Beauty above the mask is the way we see it. Revenue is about 80 percent what it would have been pre–Covid-19. We are also launching eyebrow services soon and recently launched Lash Pass.

Are you experiencing economic growth in your market? Not right now.

How do changes in the economy affect the way you do business? Right now, we are spending more money on our digital strategy, knowing many consumers are at home on their phones or on the Internet.

How do you forecast for your business? A lot of my forecasting comes from projections and trends happening within the beauty industry. Based on that information, I conservatively forecast what our revenue projections will be and work toward that goal.

What are the best sources for capital expansion? SBA lenders.

Experience with private equity, local banks, national banks, other institutions? Why/why not? I've purchased two businesses with cash, but all of my other businesses have been funded through SBA loans. I'm currently building a studio in Brooklyn and looking to work with private equity.

What are you doing to take care of your employees? We have been able to bring back all of our employees and continue growing their skill sets. Right now, the biggest thing is making sure our employees remain healthy. We have instituted many policies for our employees as it relates to working in a high-touch environment during a pandemic. We are providing career development trainings, and I spend a lot of my time at the studios ensuring operations are running smoothly. I am also making sure we have more high-touch-point conversations to listen to my employees and hear their concerns.

THE BIGGEST THING IS MAKING SURE OUR EMPLOYEES REMAIN HEALTHY. WE HAVE INSTITUTED MANY POLICIES FOR OUR EMPLOYEES AS IT RELATES TO WORKING IN A HIGH-TOUCH ENVIRONMENT DURING A PANDEMIC. WE ARE PROVIDING CAREER DEVELOPMENT TRAININGS.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? Driving more revenue. Payroll is the one thing people say you can cut, but you can't.

What laws and regulations are affecting your business and how are you dealing with them? Thankfully, the Support Center team has been staying on top of all the CDC requirements and changes. They've launched a whole new section on our website to educate the public about what we've done to ensure we've created a safe environment in the studio. That's been really helpful. At the studio level, we are handling it as well as we can. We have social distancing guidelines in place, limited capacity, and have staggered our appointments to ensure our employees and customers feel safe, which is our number-one priority.

How do you reward/recognize top-performing employees? We have bonus systems in place along with goal-tracking software. As I mentioned, I am a goal-setter and achiever. I look to instill that value into my employees so they can exceed their goals and grow personally and professionally.

What kind of exit strategy do you have in place? I want to sell at an 8x multiple. Essentially, the goal is to sell all the studios to another person who will carry on the legacy so I can create my own franchise concept that I hope to start in the next 5 years. ■

DONUTS FOR SOLDIERS!

George Hart wants a Dunkin' on every U.S. base

Written By **KERRY PIPES**

George Hart spent 25 years in the U.S. Army. After enlisting and rising to officer, he became a paratrooper and reconnaissance helicopter pilot who served in three aviation commands and several combat tours. After retiring, he worked as a consultant for the Department of Defense for another 10 years before signing on as a Dunkin' franchisee 5 years ago. Now he's on a mission to help the U.S. military run on Dunkin'. "My goal is to have a Dunkin' on every military base in America," says the 59-year-old.

Hart officially began his crusade in 2015, when he opened his first Dunkin' at the U.S. Air Force Academy in Colorado Springs. He now has 11, including 5 combo locations that include Dunkin' and Baskin-Robbins under one roof, in military bases in Colorado, Kentucky, Utah, and Dunkin's first Wyoming location. He recently signed on for his first Teriyaki Madness restaurant, which will of course, be on a military base. "The low-carb, high-protein healthy food alternative offers soldiers a balanced meal to fuel their daily activities, which is a rising dietary trend among the U.S. military," he says.

Hart says his military base expansion strategy works because he brings in a big-name brand like Dunkin' and the service members are excited for the high-quality product. And, he says, the general managers on each base can convert just about any available space into a Dunkin'. The result has included units ranging from smaller drive-thru-only locations to 3,000-square-foot Dunkin'/Baskin-Robbins combos. Another key part of Hart's military base strategy is his commitment to hiring veterans. At least half of his staff is composed of veterans or family members of veterans.

Hart now has his eye on opening several new locations at bases across Texas, Ohio, Colorado, Arizona, and Kansas. He admits that contracting with the government can involve some bureaucracy and red tape (think stringent security and supply chain), but the results have been rewarding. He's running about $4.2 million a year in sales.

Looking ahead, his goals are straightforward. In 2021 he plans to open six more Dunkin' restaurants at bases across the Southwest. Five years from now he plans to have 40 Dunkin'

GEORGE J. HART, 59

CEO

Company: Hartman Holdings

Units: 5 Dunkin'/Baskin-Robbins combos, 6 Dunkin', 1 Teriyaki Madness (opening Q1 2021)

Family: Wife Dena; children Kimberly, Leighann, Michelle, and Ryan; grandchildren Madisyn, Colton, Chase, Bryce, Anne Marie, Maci, Teagan, Erin

Years in franchising: 5

Years in current position: 5

stores open. In 10 years he plans to have more than 100 open, fulfilling his goal of putting a Dunkin' on every military base in the U.S.

PERSONAL

First job: U.S. Army. Enlisted in 1979, retired in 2004.

Formative influences/events: Serving 25 years in the military.

Key accomplishments: Air Cavalry Aviation Commander, reconnaissance helicopter pilot, U.S. Air Force Academy professor, military helicopter mechanic, ground and air scout.

Biggest current challenge: Growing a business from the ground up.

Next big goal: Developing six new Dunkin' stores over the next year.

First turning point in your career: My transition from being enlisted as a military member to a military officer.

Best business decision: Buying an emerging market franchise with Dunkin' in Wyoming. I had the opportunity to start something new and open the brand's first Wyoming location alongside expanding a growing presence in the Southwest U.S. Despite the lack of brand presence in the region, we've discovered the vast majority of the population already knew of and loved Dunkin' thanks to our global presence and #1 rating in brand loyalty.

Hardest lesson learned: Perfecting the financing of new developments and learning to allocate enough operating funds with new store opening expenses.

Work week: As an entrepreneur, what they say is true: You work 80 hours a week for yourself to get out of working 40 hours a week for someone else.

Exercise/workout: I try to stick to exercising three days a week with aerobic, anaerobic, and swim routines.

Best advice you ever got: Never believe the first report, it's not accurate.

What's your passion in business? Building new stores and developing markets. In particular, building Dunkin' stores on military bases, or my home away from home.

How do you balance life and work? I meditate daily. But the real balance comes by listening to my wife when she says it's time for a break and to focus on family, travel, leisure, and relaxation.

Guilty pleasure: A great cigar and bourbon.

Favorite book: *Sun Tzu: The Art of War.*

Favorite movie: "Forrest Gump."

What do most people not know about you? I have a passion for coaching, teaching, and mentoring the next generation to do more then they personally thought possible; to develop young business leaders living up to their true potential.

Pet peeve: When people won't take responsibility for their actions.

What did you want to be when you grew up? A pilot. I'm proud to say I've accomplished that goal!

Last vacation: Last December, my family was able to visit Egypt. I'm a huge history buff so it was very exciting to visit ancient ruins!

Person I'd most like to have lunch with: Elon Musk. He's a true innovator and leader of our generation.

MANAGEMENT

Business philosophy: Do the right thing, especially when no one is looking.

Management method or style: I operate my staff similarly to how the military is managed, meaning we function like a well-oiled machine based on trust, honesty, and hard work.

Greatest challenge: Talent acquisition and management has always been a factor, even before the pandemic. With a tight labor pool, we do our best to find and hire the most qualified candidates while preparing them with the proper training tools.

How do others describe you? I'm a person with character, meaning I do exactly what I say I'm going to do.

One thing I'm looking to do better: I'm always working to improve my time management, specifically to focus on my work/life balance. Additionally, with more time, I'd like to put more effort into mentorship. I believe mentorship is crucial in developing talent, and I aim to give my staff everything they need to succeed.

How I give my team room to innovate and experiment: Since my staff is closest to the problem, I encourage them to come to me with solutions rather than the issue at hand. "Don't come to me with problems, come to me with solutions." With this empowering step, we can figure out the best solution together.

How close are you to operations? Very close in the day-to-day at the moment.

What are the two most important things you rely on from your franchisor? First, I rely on Dunkin' for brand loyalty and marketing tactics. While they promote the brand image overall and ensure that guests visit our locations, I'm able to make sure customers are satisfied with their experience and keep returning. Likewise, I rely on the brand for product line testing and development. Our on-the-go snacks, premium beverages, and innovative menu items keep customers engaged with the brand, which stays up-to-date on the latest consumer trends.

What I need from vendors: Fast and reliable service.

Have you changed your marketing strategy in response to the economy? How? Although Dunkin' is able to handle a majority of marketing efforts, I still support local marketing tactics recommended by my franchisor. Our customers, especially on our non-traditional sites, tend to be Dunkin' loyalists who know the brand very well. They know us as a premium beverage and sandwich brand, and our marketing efforts support that message.

How is social media affecting your business? Always in a very positive light. In fact, recently Dunkin' has kicked up local social media support and, as a result, our channels are flooded with positive guest feedback. In particular, customers are delighted to see that we've remained operating and open while adhering to safety protocols.

How do you hire and fire? We use an outside vendor called HireMe for talent acquisition. The vendor is great because they are very technology-focused, Millennial-friendly, and instantaneous for job hunting. From there, our interview process is focused on good attitude, potential, and initiative. The rare case someone would be fired is if they're exhibiting a bad attitude to customers and having a negative impact on other staff members. If it comes to that, we follow labor law guidelines for each state. But we believe in rehabilitation if possible and do everything we can to keep an open dialogue with our staff.

How do you train and retain? Day one of training consists of paperwork and orientation. Employees participate in Dunkin' University food safety courses. The next three to five days continue food safety training and integrating behind-the-counter skills. To retain employees, we have several programs. One that has been very successful is that we pay employees an extra $1 per hour in addition to their regular wage for every hour they work in a month. Then, at the end of the month they can receive their extra incentive check if they are still with us. They'll officially receive the incentive check on the subsequent payday after the month. This incentive brought down turnover among crew members. Additionally, with managers, we offer profit-sharing based on a percentage of store revenue that month.

How do you deal with problem employees? We try to figure it out together, recognizing that everyone has a personal life and daily issues they're dealing with. We only have to draw the line when they're disruptive to other employees or unkind to guests.

Fastest way into my doghouse: Lie to me. I'd rather hear the truth and have the person take responsibility instead of hearing a lie and still have the problem exist. Sometimes the truth hurts, but only for a moment.

COVID-19

What are the biggest impacts of Covid-19 on your business? I own several non-traditional locations across military bases and office buildings. Therefore, the decrease in traffic from the pandemic has severely affected us.

How have you responded? We've stayed open with limited staff members, reduced our hours of operation and food costs, although we have kept our full menu. It's still a goal to stay open regardless, because if we show guests loyalty now, they'll likely do the same for us in the future.

What changes do you think will be permanent? Guests will certainly remain on the go with an increased focus on drive-thrus, curbside pickup, and delivery for restaurant concepts. Luckily, at Dunkin', our restaurant model is built for the on-the-go lifestyle, especially my non-traditional locations. Throughout my locations, we're able to not have any seating, as well as offer a virtually contactless experience with our POS system and environmentally friendly, disposable packaging.

BOTTOM LINE

Annual revenue: About $4.2 million in store sales.

2021 goals: To open six more Dunkin' restaurants across the Southwest.

Growth meter: How do you measure your growth? By our increased store count and growth.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, my goal is to have 40 Dunkin' stores open. In 10, my goal is to have over 100 open, with a Dunkin' on every military base in the United States!

Do you have brands in different segments? Why/why not? Yes, I am developing our first Teriyaki Madness on a military base. The restaurant serves lunch and dinner, a separate segment from Dunkin', and also caters to the military base's interest in healthy, protein-rich food. The low-carb, high-protein healthy food alternative offers soldiers a balanced meal to fuel their daily activities, which is a rising dietary trend among the U.S. military.

How is the economy in your regions affecting you, your employees, your customers? In Colorado, the state actually did a great job through Covid-19. Our economy seems to be steady at the moment. Of course, there are more people available in the labor pool and Dunkin' is continuing to hire, so that has left us with a larger selection for new recruits. Additionally, we've had to adjust to limited capacity serving and safety protocols like everyone else in the restaurant industry.

Are you experiencing economic growth in your market? Personally, yes. We are anticipating a market recovery and capitalizing on that with new development.

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50% REMOTE OWNERSHIP

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ZERO SBA LOAN DEFAULTS

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How do changes in the economy affect the way you do business? As stated, we've limited our business hours.

How do you forecast for your business? I am certain we'll survive Covid-19. In the nature of business, there are ups and downs. We expect to comp from last year's sales, but we'll still expect to see a 10% increase in overall growth and improved traffic count.

What are the best sources for capital expansion? At the moment, I would lean toward private equity.

Experience with private equity, local banks, national banks, other institutions? Why/why not? I've always preferred local banks because you can receive a more personalized experience. They really care about you and your business. Now that my business has grown 5 years into operating and is showing revenue increase, banking has become easier and more streamlined.

What are you doing to take care of your employees? We've kept up with our retention incentive programs, profit-sharing opportunities for managers, and provided job security thanks to the PPP loan program. We always aim to create a happy work environment and want employees to enjoy where they work, just like our customers enjoy our brand.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? Taking it as it comes. These expenses are an inevitable part of business and one that employers should always factor into their budget and business models.

What laws and regulations are affecting your business and how are you dealing with them? Without a doubt, we've had to adjust to limited capacity requirements and are doing all we can to ensure a safe guest experience.

How do you reward/recognize top-performing employees? We provide incentives, contests, and competitions. Rewards can range anywhere from a $25 gift card to a television! For example, we once did a "drive-thru speed competition." We gathered the top-performing employees from each store and put them to work together in one store for a week. The goal was to see how fast and efficiently they could work together. The contest was extremely successful, providing the employees with a sense of pride and serving as an example to their co-workers. To top it off, they each received a $50 gift card!

What kind of exit strategy do you have in place? In the next 5 years, I'd like to bring in a new CEO to replace me and take on more of a chairman role for oversight in development and participation in Dunkin' committees that support the franchisee networks in the West Region. At that point, I'd have more personal time with family and start to think about what retirement would look as I enter the next phase of my life. ■

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Restaurateur and Loving It!

His drive-thrus report record sales during Covid

Written By **KERRY PIPES**

Dennis Ekstrom has been in the restaurant business for nearly 50 years, 30 of them in franchising. At one time he was part of QK Holdings, where he served as COO of the largest Denny's franchise group in the country with 94 locations. Today he is the CEO and president of Diamondback LLC, a Del Taco multi-unit operator in New Mexico.

"The restaurant industry is a fast-paced, invigorating field that I never left," says the 65-year-old today. His experience and success have led him to rule the Del Taco market in New Mexico where his 11 locations rank in the top tier of the brand's comp growth.

The drive-thru lanes at Ekstrom's Del Tacos were paved with gold this past spring as Covid-19 ravaged the country's restaurant landscape. He says 90 percent of his sales during the pandemic have come from the drive-thru. "Right now, our sales are the highest they've been in months, and in some cases ever," he says.

Ekstrom is detail-oriented, competitive, and direct and makes no bones about the importance of being successful. But he's also driven by providing his people with opportunities to grow and improve. "It's important to empower our employees and provide them with an opportunity to visualize a career path," he says. "We promote from within, pay above-market wages, and treat everyone as a valued leader." Take care of your people, he says, and they'll take care of you, your company, and your guests.

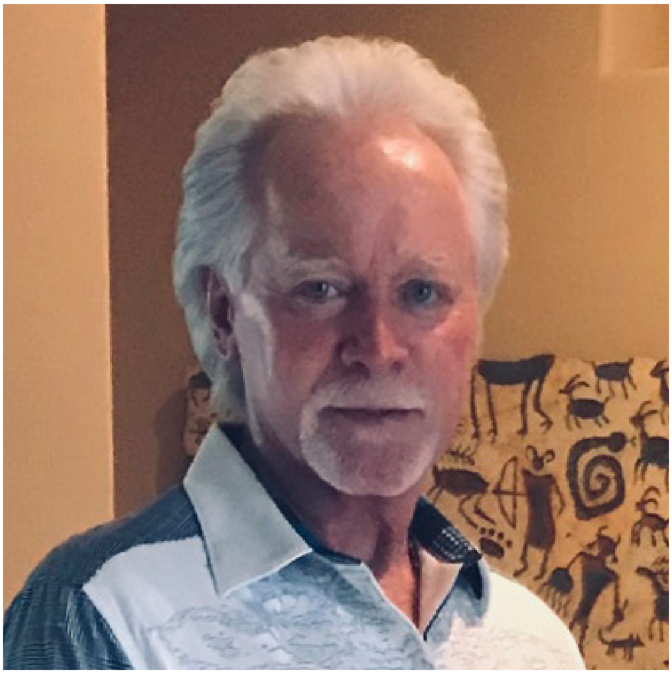
The pandemic may linger into the fall and beyond, but that hasn't changed Ekstrom's mindset about growth: he's planning to grow into five more cities in New Mexico in the near future and is aiming for a 20 percent growth in sales next year. He's putting his money where his mouth is by investing in his infrastructure and hiring a director of operations to help move the needle.

"You must invest in front of what you are doing currently if you expect to grow at an unusual pace," he says.

PERSONAL

First job: Busboy at my local diner. The position introduced me to the restaurant industry—a fast-paced, invigorating field I never left.

Formative influences/events: I've had many influential people and experiences that helped to shape my life today. When I reflect



DENNIS EKSTROM, 65

CEO & President

Company: Diamondback, LLC
Units: 11 Del Taco
Family: Wife Kay Ekstrom
Years in franchising: 30
(47 in the restaurant business)
Years in current position: 18 with Del Taco

on the commonalities, every one of my mentors had a winner's mentality, was competitive, and had ambitious goals. I admired their relentless determination and adopted a similar drive that made me the leader I am today.

Key accomplishments: Before Del Taco, I was an owner of the largest operator of an American diner franchise. Now, I take great pride in being the sole Del Taco franchise operator in New Mexico that's in the top tier of the brand's comp growth.

Biggest current challenge: In today's new normal, the biggest challenge is making sure everyone stays safe and protected, but also focused and inspired. It's extremely difficult to avoid the current distractions of the world, and you have to run interference to maintain balance.

Next big goal: In the short term, I'm planning to grow into five more cities in New Mexico.

First turning point in your career: The most pivotal moment in my career was choosing to leave the corporate life that I lived for 25 years. I resigned from a high-level executive position and used my restaurant industry knowledge to become a franchisee. I dove into the experience, not just getting my feet wet, but my hair too.

Best business decision: It turns out this courageous move from corporate employee to franchisee was the best business decision I made. Being in charge of *my own* success while creating opportunities for so many others at the same time is a remarkable feeling.

Hardest lesson learned: You can't change everyone or everything. I'm a loyal individual, so I don't like to give up on less than stellar employees or projects that aren't panning out. But sometimes you have to learn to let go sooner.

Exercise/workout: There's never enough time in the day to get a full workout in. However, I do try to make time for myself—just never seems like enough.

Best advice you ever got: Believe in karma. Taking advice from exceptional management, I was taught early on that if you take care of your people, they'll take care of you and your guests. If you expect your team to perform, prove that you believe in them.

What's your passion in business? Winning, growing, assisting, and providing others with opportunities to grow and improve themselves and their lives is quite rewarding. Recognition and passion for being the very best at what we do.

How do you balance life and work? That's tough. I'm just one of those guys who's wired differently. I don't have a great or normal work/life balance because my work *is* a major part of my life. I truly love what I do.

What do most people not know about you? Outside of the restaurant world, I love collecting coins and other odd, rare items. It stems from my love for anything old, valuable, and unique. From time to time, I'll travel to several venues across the country looking for new treasures or gems.

Pet peeve: I'm a stickler for details—mediocrity drives me crazy.

MANAGEMENT

Business philosophy: If you take care of your people, they're going to take care of you, your company, and your guests. Allegiance and loyalty have a tremendous effect and are very powerful when properly placed with reciprocity.

Management method or style: Empower everyone. Communicate boundaries, yet provide tools and guidance they would need to "run" the restaurants as if they owned them. When presented with a situation, I often ask my employees, "What would you do if this were *your* restaurant?" Almost always, they already know the answer and now feel authorized and empowered to make leadership decisions.

How do others describe you? Detail-oriented, competitive, and direct. But also consistent and predictable.

One thing I'm looking to do better: I'm always working on listening better. Sometimes a person's response becomes too routine or structured. By truly listening, I'm trying to break patterns and find real solutions for improvements. This applies not only to business, but in life too.

How close are you to operations? I'm a hands-on guy with operations. My team and I have our pulse on our operations daily. We're constantly in tune with our operations, our teams, and of course, our results.

What are the two most important things you rely on from your franchisor? Two of the most important aspects are 1) brand protection/marketing, and 2) technology/distribution. As a franchisor, the Del Taco leadership team ensures that our national brand image is secure, protected, and communicated in the right way. Plus, when it comes to marketing, they make sure that our fees are creative and effective. Operationally, we trust that our technology and development resources are running smoothly. After 18 years with the company, I can confidently say that the executive and senior-level leaders at Del Taco have our best interests at heart and are some of the best in the entire industry. They're supportive, creative, and collaborative, which sets the franchise system up for success.

Have you changed your marketing strategy in response to the economy? How? Recently we've put a lot of effort into local store marketing—even more so than before. Besides advertising with regional television stations and through social media, we understand the importance of being ingrained into our small-town communities. Our general managers have played a vital role in grassroots efforts, from dropping off meals for nearby churches to hosting fundraisers for local schools. We have a substantial portion of our budget allocated for local store marketing, and community connection is the core of our local marketing strategy. We are focused on "street fighting" in our local communities regarding marketing, as it always comes down to our team against the competitor's team.

How is social media affecting your business? Social media has been great for business, especially when it comes to reaching our fan base. We actually took a good piece of our radio spend and pushed it all toward social media advertising. It's amazing how much the platforms to support business growth have changed over the past few years to proactive versus reactive.

How do you hire? Talent attracts talent, so I've always invested a lot of time and resources in building an extraordinary team.

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MIKE CRADDICK - MULTI-UNIT OWNER

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If you have great people, you're going to have more great people seek you out. It's a ripple effect. And this year has been especially significant in terms of hiring: we went from 240 employees in January to nearly 300 today.

How do you train and retain? We're extremely deliberate in the way we train and attract talent. For us it goes back to empowering our employees and providing them with an opportunity to visualize a career path. We're known for promoting from within, paying above-market wages, and treating everyone as a very valued leader. Employee retention is huge; if you focus on retention your turnover problems improve. In an industry that typically sees high turnover, we are always well beneath averages. In fact, many of our employees in all levels have a superior level of tenure. This speaks volumes on the workplace culture we've built.

COVID-19

What are the biggest impacts of Covid-19 on your business? Unlike some concepts, our Del Taco restaurants have performed extremely well over the past few months. When Covid-19 hit, our company was quick to pivot and adapt to the challenge. While dining rooms in New Mexico remain closed, 90 percent of our sales are coming from the drive-thru. To increase efficiency, my VP/COO John Bissell has achieved remarkable results with all the key areas of our operations. We've introduced new and exciting incentives for restaurant teams who produce and create new benchmarks and who responded favorably, achieving results never seen before. Right now, our sales are the highest they've been in months, and in some cases ever.

What changes do you think will be permanent? A lot of the initiatives we introduced will stay for sure, including many of the incentive programs and key focus challenges, and the effort to keep everybody focused, motivated, and aligned. We'll continue to promote efficiency and order accuracy with great speed of service, which are all key for a positive customer experience.

BOTTOM LINE

2021 goals: In 2021, we are focused on achieving a 20 percent sales growth. We just recently expanded our infrastructure, bringing on a high-level director of operations Jeremy McKay, investing in our future and our growth. You must invest in front of what you are doing currently if you expect to grow at an unusual pace.

Growth meter: How do you measure your growth? In a variety of ways, but the most important measurement is real growth with guest counts and revenue increases. Customers used to vote with their feet, now they vote with their cars. Changing times for sure.

Vision meter: Where do you want to be in 5 years? 10 years? My vision is to double the number of Del Taco restaurants in the company 10 years from now, at the same time doubling the opportunities for all of our employees.

What are the best sources for capital expansion? Protect and maximize what you have currently. Incremental check average gains are twice as profitable as your base, and "pass through" to the bottom line with an average of 50% or more to the controllable profit line.

THE SAFETY OF OUR EMPLOYEES AND OUR GUESTS IS PARAMOUNT FOR US, AND EVERY DECISION WE MAKE IS WITH THAT TOP OF MIND. TO SURVIVE AND TO GROW WITH OUR NEW CHALLENGES WE MUST BE PERCEIVED AS "SAFE" BY ALL OF OUR EMPLOYEES AND GUESTS.

What are you doing to take care of your employees? Employee health, safety, and happiness are always going to be a top priority for me. The safety of our employees and our guests is paramount for us, and every decision we make is with that top of mind. To survive and to grow with our new challenges we must be perceived as "SAFE" by all of our employees and guests.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? Interestingly enough, in the middle of April (amid the pandemic chaos) we decided to change payroll companies. Everyone wondered why we would make such a dramatic change during such an unprecedented time. Well, I knew I had to look beyond the fear. After making the decision to switch to ShiftPixy, we've increased our efficiencies and we're saving significant money, at the same time offering increased services and better technology and tools for all our teams. With this, we're able to invest in our employees with additional incentives, benefits, and programs and, at the same time, mitigate increasing costs.

What laws and regulations are affecting your business and how are you dealing with them? One of the biggest restrictions affecting everyone's business is the Covid-19 regulations. As I write, New Mexico currently mandates that all restaurant dining rooms be closed, which forces customers to eat offsite and seek other options. Our restaurants have been a beneficiary of this policy, which continuously offers us the opportunity to serve never-before customers with the intention of earning their future business long term. With every challenge come learning experiences and new and better ideas. I'm thrilled to be working with such a talented and resilient team. I am very proud of the Del Taco brand and very proud and fortunate to have such an incredible team of people who make up our company. ■

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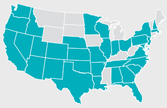

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A COUPLE OF WINNERS

With 50 Scooter's Coffee stores, their future is bright

Written By **KERRY PIPES**

When we spoke with Tracy Bouwens in 2018 she had become a star franchisee with Scooter's Coffee. President of Freedom Enterprises, she was the brand's largest franchisee with 37 coffee shops in four states (Kansas, Missouri, Nebraska, and Iowa). Conveniently, her husband Shawn owned Bouwens Contracting Services, a commercial contractor that, in addition to other ventures, had been building her Scooter's locations.

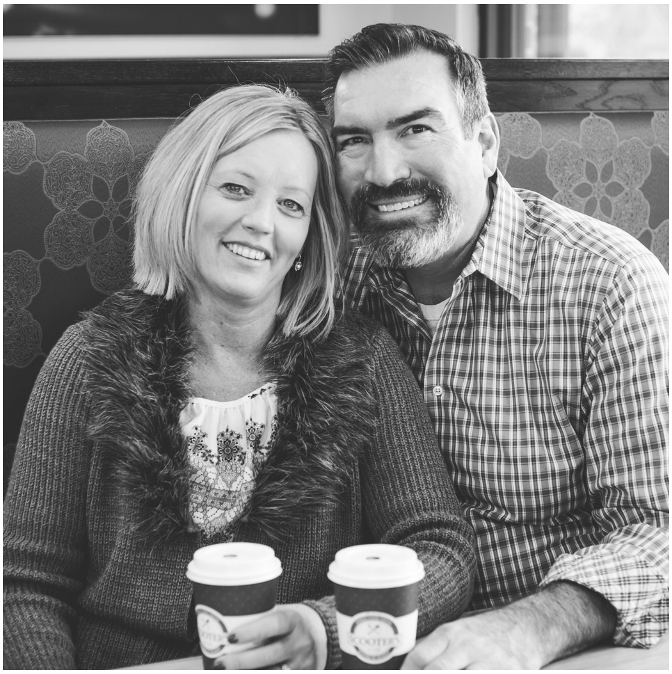
Two years later, she has grown to 43 locations, and Shawn joined the action by launching Culaccino Coffee Company, operating 7 Scooter's locations of his own. The motto of Culaccino (the Italian word for the ring a coffee cup or wet glass or bottle leaves on a napkin or a table) is to "leave a mark": the profits from this group of stores go to help fight human trafficking across the world.

Today the couple also represent the brand as area developers, and Shawn still operates Bouwens Construction Services, building their expanding empire and taking on other construction jobs in the greater Kansas City area. It's also a family affair: all three children are in business with them. Their two sons work in construction and their daughter manages the day-to-day operations for Culaccino.

There's more to Shawn's story than construction and coffee. The six-foot-five-inch native Nebraskan also had an NFL career that saw him play 6 years with the Detroit Lions and Jacksonville Jaguars in the 1990s. He's moved from protecting quarterbacks from 300-pound defensive linemen to making decisions that affect hundreds of baristas, managers, and others at his seven Scooter's locations.

"As a pro athlete you prepare yourself to be the very best every week," says the 52-year-old. "You study, you watch film, you practice throughout the week. I take that same outlook in everything I do now with my business, with my family, with my relationship with Tracy. I'm always studying, I'm always analyzing, trying to figure out what procedure I need to take myself and my employees to the next level. Nothing beats hard work."

The transition from professional football to successful multi-unit franchisee was not an easy one for him. He says it took him more than a year to fully make the switch. "He mowed the lawn like clockwork for the first 2 years of retirement," says Tracy. "I remember saying to myself, 'Again with the grass.'" She says the NFL does a good job educating and preparing players and wives for when it's time to leave the game, but talking about it and actually experiencing it were two different things.



SHAWN (52) & TRACY (50) BOUWENS

Tracy, President of Freedom Enterprises; Shawn, President of Culaccino Coffee Company

Company: Two multi-unit operations: Freedom Enterprises, Culaccino Coffee Company
Units: 50 Scooter's Coffee (Freedom 43, Culaccino 7)
Family: Three kids, four grandkids
Years in franchising: 16
Years in current position: 16

Ultimately, the similarity between systems and processes that create success in team sports are very similar to those in the franchise business. "The Scooter's Coffee playbook helps entrepreneurs like me and Tracy be successful," he says. "We've been with the brand almost since the beginning. The company's systems give franchise owners a great opportunity to succeed." This time around, we profile Shawn, and do some catching up with Tracy.

PERSONAL

First job: At 12 years old, I started working with my dad, who owned his own plumbing business.

Formative influences/events: My mom and dad were supportive of whatever I wanted to do or try. Whether they could afford it or not, they found a way to get me into sports or whatever I wanted to try. Because I always felt supported, I was never afraid of trying new things.

Key accomplishments: I was inducted into the Nebraska Football Hall of Fame, the Lincoln Northeast High School Hall of Fame, and the Nebraska Wesleyan Hall of Fame. My number-one accomplishment, however, would be marrying my bride Tracy. We've been married for 29 years and have raised three wonderful children we are so proud of.

Biggest current challenge: Figuring out how to build and grow stores in the midst of a pandemic. We have a store set to open the first week of September, and one more by the end of the year that will be store number eight for Culaccino.

Next big goal: Our next big goal is to continue to add stores and continue our area development agreement within the Kansas City metro area and south of Kansas City in Joplin and Springfield, Missouri.

First turning point in your career: I had to move on from football. God shut the door and was changing the path. Coffee was what was next. We have always been entrepreneurs in our hearts and always had that drive to develop businesses.

Best business decision: We brought Scooter's Coffee to Kansas City in 2004. Bringing a brand-new concept to an area that has never heard of it was tough, but definitely the best decision we made. Business isn't always easy, but making that decision is where we learned our greatest lessons in business and gained the strength and fortitude to get through those tough times.

Hardest lesson learned: People management and cash flow management. Developing people to be strong leaders for you. And managing cash flow to meet expenses every month.

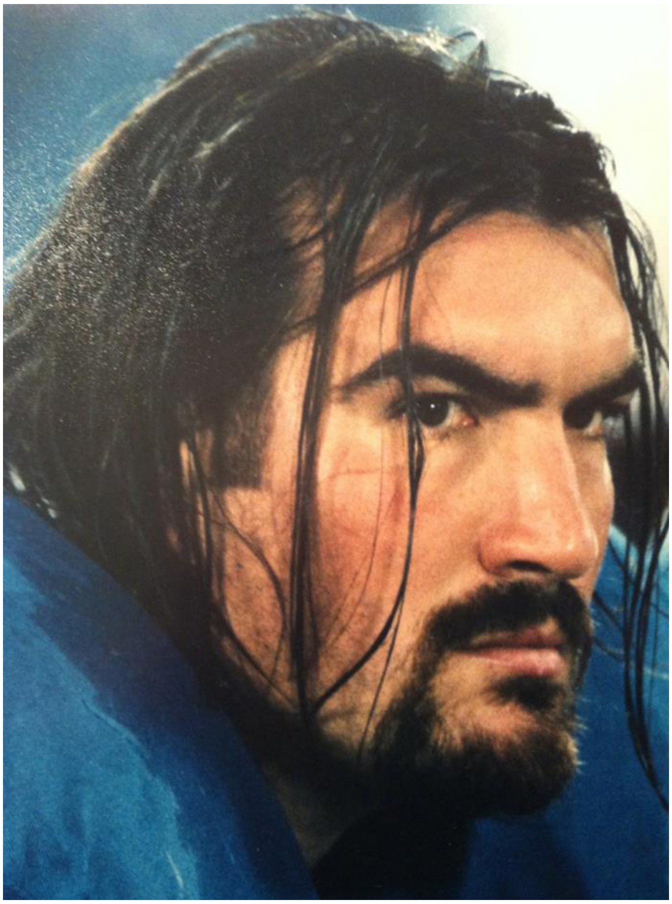
Work week: Tracy: While the weeks vary, we are structured and processed. We make sure we have people in place to manage every aspect of the businesses. I often go by the stores to make sure everything is functioning properly during the week as well. It's important to be flexible and ready for anything. Shawn: I work with my daughter on the day-to-day side of Scooter's Coffee. I also work with both of my sons on the construction side of everything building the coffee houses.

Exercise/workout: Walks with my wife.

Best advice you ever got: What are you looking for in an agent? Son, you haven't made any money yet. You have to make some money before you can manage anything.

What's your passion in business? Tracy: Seeing young people learn and develop the skills they need to make a positive impact in the world. Shawn: I love when someone has the opportunity to build a new location. It's something they've invested a lot of thought, time, and money into. Seeing the grass and the first steps, walking them through the entire process and turning over the keys at the end to something they've been thinking about for years is an amazing experience.

How do you balance life and work? We are very intentional about the work day being done by 6 p.m. and always have dinner together. In addition, we are very intentional about dates and have at least one, if not more, each week. You can easily work



24/7 but you have to be intentional. We are better at what we do when we keep those boundaries. We have to work more during seasons like Covid but know that boundaries are important for a healthy balance.

Guilty pleasure: Tracy: wine. Shawn: bourbon.

Favorite book: Tracy: the Bible. Out of that book alone, I can read the most leadership lessons and keep my true north centered every day.

Favorite movie: Tracy: "The Notebook." Shawn: "Gladiator."

What do most people not know about you? Tracy: I love to travel internationally, to experience different cultures and understand what is valued in those cultures and learn from it. Shawn: If I could be make a living working around my house, I would do it!

Pet peeve: Tracy: Poor communication. Shawn: People who do not tell the truth.

What did you want to be when you grew up? Tracy: a surgeon. Shawn: a professional football player.

Last vacation: Cancun, February 2020.

Person I'd most like to have lunch with: Tracy: Shawn. Shawn: Jesus.

MANAGEMENT

Business philosophy: Tracy: Developing a positive culture that leaves an impact on your employees, vendors, and customers from the inside out. Shawn: Always doing what you say you are going to do, when you say you are going to do it.

Management method or style: Tracy: Hiring people to build a team that is better than you and empowering them to run the company. Shawn: Hands-on teaching and showing.

Greatest challenge: Learning to let go of control. Always being hands-on doesn't allow us to grow. It brings freedom when you have the right people in place to do the job well.

How do others describe you? People of our word, honest, full of integrity, hard-working, kind and caring, and generous and willing to do for others as we would do for us.

One thing I'm looking to do better: As a large multi-unit franchisee, continue to raise the bar of the level of excellence. We never want to be satisfied at where we are and always want to continue to raise the bar. Always learning. Never staying the same. If you aren't growing, you are going backwards.

How I give my team room to innovate and experiment: Be willing to listen and make it a safe place to bring your ideas and know they will be heard. Helping entrepreneurial-minded employees know they are being heard with their ideas by trying them.

What are the two most important things you rely on from your franchisor? Continuous innovation of new ideas and products. Scooter's Coffee provides a partnership and relationship where we can call them at any time to work through struggles or ideas.

What I need from vendors: Consistency and reliability.

Have you changed your marketing strategy in response to the economy? How? We are less concerned about marketing strategy than operational excellence. We focus on excelling in all operational points that Scooter's corporate focuses on for success, and the marketing strategy will take care of itself.

How is social media affecting your business? Our target audience is on social media all of the time so we know that we must hit the mark.

How do you hire and fire? We hire based on personality and are very patient for the right person. Communication and honest feedback are key in all steps of the process.

How do you train and retain? Training and onboarding are key to retention. We want people to have a great experience right away. We want people to feel supported throughout the entire process.

How do you deal with problem employees? Honest communication. Provide lots of feedback and clear expectations.

Fastest way into my doghouse: Breaching one of the key values, specifically integrity.

COVID-19

What are the biggest impacts of Covid-19 on your business? Covid-19 has been challenging in so many ways. Making sure our stores are following processes and safety procedures and rules to make sure Covid does not spread inside the company is key. Everything was changing, even by the hour as far as the guidelines, so keeping up was difficult.

What changes do you think will be permanent? More heightened awareness of sanitation that will be beneficial even during flu season, like sanitizing every single touchpoint. Why go backward when we have established an even safer system?

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SPORTS & BUSINESS

What skills/experience from sports have carried over to operating a business? You always strive to be the best and at the top of your game. Same thing in business. We strive to operate with excellence, and I do everything I can to achieve those goals at being the best business owner I can be. My coach told me that you never stay the same, that you are always striving to achieve that next goal. Be willing to put in the time.

Which do you find more competitive, sports or business? Each is competitive in different ways. Now I feel like it is business because you are trying to set yourself apart from your competition. We do that by following the core values every day.

Why did you choose franchising as an investment option? We were looking at doing our own business and looking at the coffee business when we saw Scooter's. They were young, but growing fast. We met with Don Eckles, the co-founder, and the relationship clicked. Why reinvent the wheel when this company has our values and already has an amazing model?

How did you transition from sports to franchising? The transition was a bit of a rough patch because my identity was a professional athlete playing football. Once we decided to go into the coffee business, I transitioned to giving it my all. I wanted to give it my all for football and then for coffee as well.

What was your greatest achievement in sports, and what has been your biggest accomplishment as a franchisee? Earning a starting role from such a small school (Nebraska Wesleyan University, 1,600 kids), making it in the NFL, and earning a starting position with the Detroit Lions. As franchisees, we had many hurdles with Kansas City, but we never ever gave up. We are finally seeing the fruits of our labor, and we are not done yet!

BOTTOM LINE

Annual revenue: $26 million.

2021 goals: Continue to operate with excellence, thereby improving our average unit volume and having 2 or 3 strong stores added in 2021 for Culaccino.

Growth meter: How do you measure your growth? We base our growth on Scooter's KPIs but take it a step further. We want to ensure all of our units are performing better than the average in the system. If we are underperforming, we want to fix that immediately.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, even less hands-on and start to see a baton passing. In 10 years, retired or semi-retired with a higher-level board view.

How is the economy in your region affecting you, your employees, your customers? Our stores are all in the Midwest and we aren't seeing a huge economic impact at this point. We kept all employees on payroll through 2020 and have even bonused our management team through this process. We feel very fortunate to be in the Midwest and to be in the drive-thru business.

Are you experiencing economic growth in your market? We are experiencing growth!

How do changes in the economy affect the way you do business? We focus on maintaining excellence in operations.

How do you forecast for your business? We all wish we could see into the future, but when we make the budgets we are very conservative in our forecast because we'd rather outperform our forecast than underperform.

What are the best sources for capital expansion? We have great working relationships with smaller banks and have done some through private investments.

Experience with private equity, local banks, national banks, other institutions? Why/why not? In business, I'm a strong believer in having relationships with those I do business with. With smaller banks or individual investors, your goals and values can be better aligned. I can go to that person and they know me personally.

What are you doing to take care of your employees? We try to provide for our employees in every way we can to ensure they have a safe work environment. Make sure employees are cared for economically. All employees stayed on payroll throughout all of this.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? It makes it challenging, but so far we've been able to increase the labor and add employees even amidst rising labor costs. We know we need high-quality employees to fulfill those goals of operational excellence.

How do you reward/recognize top-performing employees? We have top-performing employees and do recognition shoutouts day in and day out. We promote from within. Managers get bonuses on operational excellence. There are so many ways that people should be rewarded: words of encouragement, high fives, accolades, and financially.

What kind of exit strategy do you have in place? Wanting to make sure we have the right people in place. We want to be able to sit at a higher-level board position to stay involved while being more hands-off. ■

2020 DOMINATORS

Multi-unit and multi-brand operators continue to grow—and they're getting bigger every year as these "dominators" grow their portfolios through acquisitions, new unit buildouts, refranchising, and scooping up successful units from retiring franchisees. This trend has only accelerated during Covid-19 as smaller and weaker operators sell to larger and stronger ones.

That's why we have to provide an "asterisk" to the rankings this year: they were compiled from pre-Covid FDDs, so are *not* as representative as usual, as franchisees both large and small divest units, file for Chapter 11 protection (NPC International), or simply decide it's time to retire or get out of the business.

On the upside, there are franchisees who quickly adapted, were deemed "essential businesses," or whose business model accommodated the new normal (drive-thru, delivery, carry-out, no-contact, etc.). Banking on their good credit, solid infrastructure, and proven track record, these dominators are creating historically large franchisee organizations.

Even during these tough times, they are still creating jobs by the thousands, hiring young employees and providing a career path for them to grow. They do business with local suppliers—lots of them! And they give back to their communities on a large scale, encouraging their employees to support local organizations and charities—especially now. No franchisee gets to the top without years of hard work, sacrifice, perseverance, and an unwavering desire to be the best. So congratulations to this year's Dominators!

LARGEST FRANCHISEES BY STATE

STATE (and D.C.)	LARGEST FRANCHISEE	UNITS
Alabama	NPC INTERNATIONAL	123
Alaska	SUBWAY DEVELOPMENT OF ALASKA	23
Arizona	DESERT DE ORO FOODS	170
Arkansas	K-MAC ENTERPRISES	87
California	G & M OIL	285
Colorado	HARMAN MANAGEMENT	91
Connecticut	CANTINA HOSPITALITY	36
Dist. of Columbia	PANKAJ SETH; TEAM WASHINGTON (tie)	9
Delaware	MITRA QSR	14
Florida	SUMMIT RESTAURANT GROUP	213
Georgia	GPS HOSPITALITY	100
Hawaii	KAZI MANAGEMENT	36
Idaho	NPC INTERNATIONAL	36
Illinois	DHANANI GROUP	189
Indiana	CARROLS GROUP	90
Iowa	NPC INTERNATIONAL	49
Kansas	ROTTINGHAUS	165
Kentucky	FOURTEEN FOODS	61
Louisiana	GPS HOSPITALITY	123
Maine	SUBWAY DEVELOPMENT OF MAINE	25
Maryland	NPC INTERNATIONAL	98
Massachusetts	HK ENTERPRISES	70
Michigan	VISION GROWTH PARTNERS /SUPER C GROUP	67
Minnesota	FRESH ALTERNATIVES	89
Mississippi	NPC INTERNATIONAL	146
Missouri	FLYNN RESTAURANT GROUP	140
Montana	MERIDIAN RESTAURANTS UNLIMITED; GRAND MERE CAPITAL (tie)	21
North Carolina	SPEEDWAY	184
North Dakota	FARMERS UNION OIL	23
Nebraska	CARPENTER CONCEPTS	44
Nevada	TERRIBLE HERBST	85
New Hampshire	PETER NAPOLI	32
New Jersey	BRIAD RESTAURANT GROUP	74
New Mexico	BOBBY MERRITT	69
New York	METRO FRANCHISING COMMISSARY	145
Ohio	THE COVELLI FAMILY LIMITED PARTNERSHIP	139
Oklahoma	WING FINANCIAL SERVICES (tie)	97
Oregon	AMBROSIA QSR OREGON	58
Pennsylvania	CARROLS GROUP; NPC INTERNATIONAL (tie)	62
Rhode Island	THE JAN COMPANIES	24
South Carolina	CIRCLE K STORES	47
South Dakota	CAVE ENTERPRISES OPERATIONS	23
Tennessee	SW DEVELOPMENT OF EAST TN	94
Texas	SUN HOLDINGS	521
Utah	SIZZLING PLATTER	81
Vermont	VERMONT DONUT ENTERPRISES	16
Virginia	BODDIE-NOELL ENTERPRISES	177
Washington	EMERALD CITY PIZZA	92
West Virginia	LITTLE GENERAL STORE	47
Wisconsin	CAVE ENTERPRISES OPERATIONS	95
Wyoming	GRAND MERE CAPITAL	22

ENTIRE U.S.

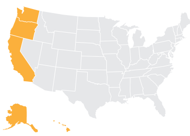
(50 states, Washington, D.C., Guam, Puerto Rico, and the Virgin Islands)

MSA	FRANCHISED UNITS
LOS ANGELES-RIVERSIDE-ORANGE COUNTY, CA	19,639
NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-CT-PA	18,927
CHICAGO-GARY-KENOSHA, IL-IN-WI	11,433
WASHINGTON-BALTIMORE, DC-MD-VA-WV	11,280
DALLAS-FORT WORTH, TX	10,289
HOUSTON-GALVESTON-BRAZORIA, TX	9,053
ATLANTA, GA	8,557
SAN FRANCISCO-OAKLAND-SAN JOSE, CA	8,132
BOSTON-WORCESTER-LAWRENCE, MA-NH-ME-CT	7,495
PHILADELPHIA-WILMINGTON-ATLANTIC CITY, PA-NJ-DE-MD	7,082
DETROIT-ANN ARBOR-FLINT, MI	6,622
PHOENIX-MESA, AZ	5,965
SEATTLE-TACOMA-BREMERTON, WA	5,340
DENVER-BOULDER-GREELEY, CO	4,857
MINNEAPOLIS-SAINT PAUL, MN-WI	4,843
MIAMI-FORT LAUDERDALE, FL	4,685
TAMPA-SAINT PETERSBURG-CLEARWATER, FL	4,458
SAN DIEGO, CA	3,995
SAINT LOUIS, MO-IL	3,841
CHARLOTTE-GASTONIA-ROCK HILL, NC-SC	3,736
ORLANDO, FL	3,620
PORTLAND-SALEM, OR-WA	3,415
CLEVELAND-AKRON, OH	3,388
SAN ANTONIO, TX	3,060
SACRAMENTO-YOLO, CA	3,041
LAS VEGAS, NV-AZ	3,040
CINCINNATI-HAMILTON, OH-KY-IN	3,018
KANSAS CITY, MO-KS	3,017
AUSTIN-SAN MARCOS, TX	2,973
RALEIGH-DURHAM-CHAPEL HILL, NC	2,971
INDIANAPOLIS, IN	2,969
NASHVILLE, TN	2,929
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS, VA-NC	2,859
PITTSBURGH, PA	2,736
COLUMBUS, OH	2,582
MILWAUKEE-RACINE, WI	2,382
JACKSONVILLE, FL	2,269
SALT LAKE CITY-OGDEN, UT	2,215
OKLAHOMA CITY, OK	2,069
RICHMOND-PETERSBURG, VA	1,965
WEST PALM BEACH-BOCA RATON, FL	1,929

MSA	FRANCHISED UNITS
HARTFORD, CT	1,920
GREENSBORO-WINSTON-SALEM-HIGH POINT, NC	1,864
GREENVILLE-SPARTANBURG-ANDERSON, SC	1,845
NEW ORLEANS, LA	1,664
LOUISVILLE, KY-IN	1,622
MEMPHIS, TN-AR-MS	1,613
KNOXVILLE, TN	1,526
GRAND RAPIDS-MUSKEGON-HOLLAND, MI	1,507
BIRMINGHAM, AL	1,488
OMAHA, NE-IA	1,467
DAYTON-SPRINGFIELD, OH	1,325
TULSA, OK	1,314
CHARLESTON-NORTH CHARLESTON, SC	1,299
SARASOTA-BRADENTON, FL	1,222
COLUMBIA, SC	1,176
ALBUQUERQUE, NM	1,174
LITTLE ROCK-NORTH LITTLE ROCK, AR	1,167
TUCSON, AZ	1,159
BUFFALO-NIAGARA FALLS, NY	1,150
FRESNO, CA	1,145
COLORADO SPRINGS, CO	1,121
DES MOINES, IA	1,102
FORT MYERS-CAPE CORAL, FL	1,093
BOISE CITY, ID	1,069
BATON ROUGE, LA	1,049
ROCHESTER, NY	1,046
MOBILE, AL	1,011
ALBANY-SCHENECTADY-TROY, NY	992
MADISON, WI	951
HARRISBURG-LEBANON-CARLISLE, PA	948
LEXINGTON, KY	948
CHATTANOOGA, TN-GA	926
WICHITA, KS	925
BAKERSFIELD, CA	916
HONOLULU, HI	905
EL PASO, TX	903
PROVIDENCE-FALL RIVER-WARWICK, RI-MA	880
ALLENTOWN-BETHLEHEM-EASTON, PA	869
STOCKTON-LODI, CA	844
AUGUSTA-AIKEN, GA-SC	842
MELBOURNE-TITUSVILLE-PALM BAY, FL	834
DAYTONA BEACH, FL	824

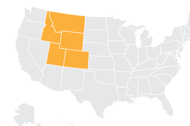
2020 DOMINATORS

LARGEST FRANCHISEES BY REGION



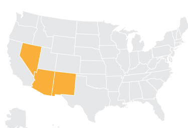
WEST
(AK, CA, HI, OR, WA)

	UNITS
G & M OIL	285
HARMAN MANAGEMENT	264
SOUTHERN CALIFORNIA PIZZA	250
FLYNN RESTAURANT GROUP	196
TARGET	177



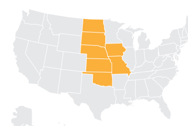
MOUNTAIN WEST
(CO, ID, MT, UT, WY)

	UNITS
NPC INTERNATIONAL	144
SIZZLING PLATTER	125
HARMAN MANAGEMENT	119
FLYNN RESTAURANT GROUP	117
GRAND MERE CAPITAL	81



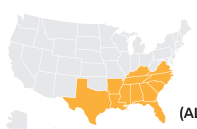
SOUTHWEST
(AZ, NV, NM)

	UNITS
DESERT DE ORO FOODS	179
BOBBY MERRITT	119
TERRIBLE HERBST	85
STINE ENTERPRISES	80
SUBWAY DEVELOPMENT OF LAS VEGAS	65



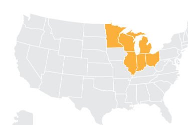
PLAINS
(IA, KS, MO, NE, ND, OK, SD)

	UNITS
FLYNN RESTAURANT GROUP	317
ROTTINGHAUS	316
NPC INTERNATIONAL	259
LOVE'S TRAVEL STOPS & COUNTRY STORES	153
K-MAC ENTERPRISES	151



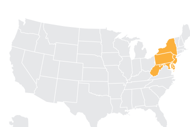
SOUTH
(AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, TX, VA)

	UNITS
NPC INTERNATIONAL	1,100
SUN HOLDINGS	667
MUY BRANDS	475
KBP FOODS	435
ARAMARK	376



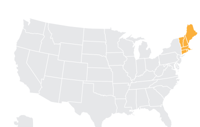
MIDWEST
(IL, IN, MI, MN, OH, WI)

	UNITS
DHANANI GROUP	285
CARROLS GROUP	281
KBP FOODS	205
BORDER FOODS	169
MUY BRANDS	157



EAST
(DC, DE, MD, NJ, NY, PA, WV)

	UNITS
CARROLS GROUP	217
NPC INTERNATIONAL	172
METRO FRANCHISING COMMISSARY	145
BRIAD RESTAURANT GROUP	131
MUY BRANDS	126



NEW ENGLAND
(CT, ME, MA, NH, RI, VT)

	UNITS
DHANANI GROUP	99
HK ENTERPRISES	87
FLYNN RESTAURANT GROUP	63
PR RESTAURANTS	63
DE FOODS	57

Source: FRANdata
Note: Data based on most current FDDs

MAXIMIZING THE SALE

Pro tips on making the best deal

Written By **Helen Bond**

Over multi-brand veteran Bill Byrd's long career of buying franchise operations, he's learned what it takes to maximize a sale by watching all the ways deals go wrong.

"I can't tell you how many times we have gone in and tried to buy someone out where the seller had to reinvest so much money in their operation that they weren't going to walk away with any money," says Byrd, president and co-owner of PMTD Restaurants. "In a couple of instances, I convinced the owners to get in there and make their restaurants look like something that somebody would want to buy to get a higher price," he says.

"We've had situations where people have gotten themselves in good shape, and then the restaurants were too expensive for me to buy. But they were able to sell to somebody else. And, I'm okay with that. It isn't all about how I can buy your restaurant as cheaply as possible. I want to give you a fair price, and I want to be able to make it a win-win situation."

Selling a business, no matter the reason, requires a thoughtful strategy and detailed preparation. Waiting too long to sell after you've stepped back from the company, poor planning, or an inaccurate financial picture are just a few of the obstacles to earning a higher reward for all your hard work. The path to the best price—and often a quicker sale—means putting your best foot forward from the start.

"I think you should operate your business with the mindset that, at any time, you can sell," says serial entrepreneur Doug Pak, a franchisee of 72 Papa John's. "You don't have to sell, but it means you are always operating in a mode of maximizing your sales, your people, the quality of the assets, and your profits."

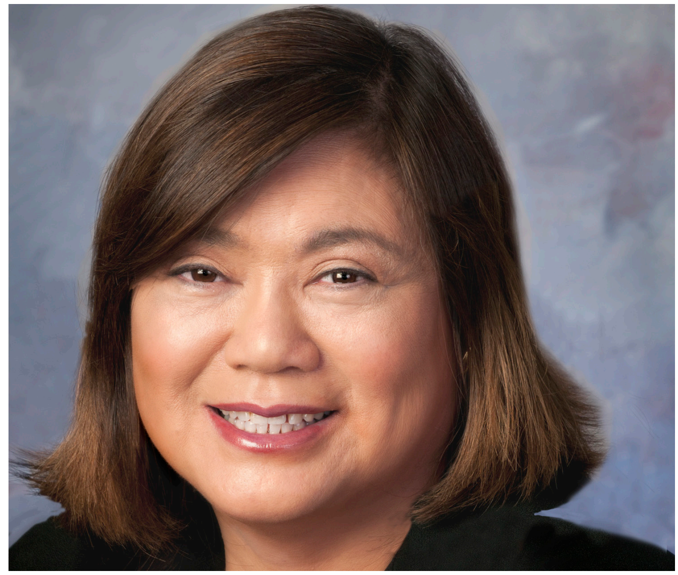
Reputable professionals can also help determine valuation and open the doors to the best avenue for selling. When multi-unit Dunkin' franchisee Karim Khoja was ready for a lifestyle change in 2017, the power of the brand he grew up in paid off—quickly.

"When the email hit the community, we had 100 inquires within 24 hours," says Khoja, now chairman and president of Bravo Hospitality Group, a multi-unit hotel franchise company.

To help him get the job done, the Chicago-area entrepreneur looked to a "great franchisee attorney and a great franchisee broker team."

"Without those two groups, it would have been almost impossible for me to get everything organized," says Khoja. "Most people forget to do that and think they are superhumans who can do it all. But for me, running 67 stores with no partners and a huge infrastructure of 1,100 to 1,200 employees was a big task. Now you put the pressure of selling the business on top of that, and it doesn't work. You need to hire outside counsel and advisors to help manage that process. It was not cheap. I paid top dollar, but it was well worth it at the end of the day."

Bill Byrd



Ellen Hui

Ideally, laying the groundwork for an exit—whether it's a single store or an entire portfolio—begins on day one with a sharp eye on the bottom line and your franchise agreement's fine print, and a short- or long-term end goal in mind.

Current, recent, and projected profits and your ability to control business costs all play into any sale. In the end, it's all about cash flow, says Ellen Hui, a managing director with National Franchise Sales.

"To maximize the sale price, it comes down to the P&Ls, term on the franchise agreement and lease, refresh or remodels and upgrades, EBITDA—and the people," says Hui, a former multi-unit Popeyes franchisee.

Like any transaction, information is power. We've gathered advice from seasoned franchise pros on how to make the most of any resale and, along the way, help ensure a smooth transition.

ASSESS YOUR BUSINESS

A strong sales strategy includes knowing your business, what determines its worth, and how to sell it when the time is right, says Byrd, whose three-state portfolio of 41 restaurants includes KFC, Taco Bell, KFC/Taco Bell, and Capriotti's Sandwich Shops.

"It is important to structure your business to allow you options come sell time," Byrd says. "For example, if you are a retail or restaurant owner, owning the real estate allows you to decide to sell the business enterprise, the property including land and building, or the total package."

Pro tip: Not all corporations are created equal. Tax consequences related to asset depreciation and capital gains, for instance, can drastically affect the amount of money you walk away with after the sale. Experts recommend consulting with a tax advisor before agreeing on a sales price.

MAINTAIN GOOD, CLEAN FINANCIAL RECORDS

Financial information preparation is critical to the selling process. Up-to-date and accurate financial records can help identify and improve operational weaknesses or demonstrate positive growth trends to boost perceived value and prove future success.

A comprehensive due diligence package also allows an operator to seize selling opportunities, says Pak, who sold 50 Hardee's restaurants in 2019 as part of an unplanned, yet strategic decision.

Pak has used a third-party CPA firm to audit his books ever since he founded his franchise company. It's admittedly an expensive practice, he says, but along with the creation of a robust financial reporting system, it has proved invaluable to providing transparency.

"When you see that the seller has all the information, whether operational or financial, organized and ready to download, it's a big deal, especially when you are trying to attract larger or institutional investors," says Pak, founder, chairman and co-CEO of BLD Brands. "They just don't have the time to go through and reconcile all the numbers."

Pro tip: Most businesses are sold on a multiple of proven cash flow, EBITDA and the seller's discretionary earnings. To keep your EBITDA clean, look to eliminate as much of the commingling of business and personal expenses as you can before you sell.

APPEARANCE MATTERS

Appearance matters—not only to your employees and customers, but also to potential buyers. Make sure repairs are made, equipment is in good working order, your employees are well trained, and the property is clean and well maintained. Still, sometimes, the cost of doing business to meet the franchisor's transfer checklist is unavoidable.

"You could have a brand-new store and a buyer will find some flaw in it," says Khoja. "My advice is to keep the stores looking the best you can, but be willing to give the buyer some credits at closing so you don't have the headache of fixing everything they want."

Pro tip: Taking care of your property is just good business. "Every day you are in that store, you might as well have it firing on all cylinders because you will benefit in sales, and that will go straight to your bottom line," says Hui.

THE FRANCHISE FINE PRINT

Understanding your franchise agreement and the status of lease expirations and options can help avoid selling missteps. This


Kharim Khoja


Doug Pak

lease "runway" is vital for both selling and refinancing, says Pak, who starts negotiating with landlords when he prepares for any sale, with a goal to lock in a minimum of 10 years, including options. This analysis also allows for strategic decisions that could benefit a deal.

"Package your sale so that if you have 10 locations to sell and there are two that are eating your lunch, you want to take those two out, add them to your liabilities," advises Pak. "Sell only the eight good ones and let the leases run out or close them after the sale. That is something always to consider."

Pro tip: Along with leases, it is essential to be up-to-date on all franchise requirements, remodels, and upgrades and to understand all the related costs involved. These entanglements can affect the sale of the business and cost you money.

TAKE CARE OF YOUR PEOPLE

The people part is often the most challenging part of any sale. A strong employee base can deliver a premium to the seller and reduce the training and acquisition costs for the buyer.

"If there are enough certified employees in the store, the transaction can go a little bit faster because they don't need to go through the franchisor training program, which will take 6 to 12 weeks off your transfer date," says Hui.

Pro tip: Pak's advice: Get a few key employees involved in the selling process early on and provide a sales-based incentive package to reduce the risk of their departure.

HIRE THE RIGHT HELP

The size of what you're selling often dictates the need for enlisting outside help.

"I believe reputable brokers have a time and place in many transactions," says Byrd. "If you keep up with your financial statements and know the value of your business, often you can find a buyer. However, if you are not sure what it's worth and do not want to seek out buyers, a broker will be helpful. Don't be afraid to ask a reputable broker to help complete valuations of your business. This often costs you a small fee, but may be worth it. If you cannot sell, then you ask for help from a broker."

Pro tip: Look for a broker with a strong track record and experience in the business of selling, and in particular, selling and marketing your brand or industry.

UNDERSTAND CYCLES

Maximizing the sale also means knowing when to sell, which means keeping up with the cycles that affect your business, such as employment, commodity prices, the financial picture, and the state of your brand. The goal is to capitalize on these cycles.

"It is critical to be aware of the cycles—when lending is frothy versus when lending is tough," says Pak. "We've all gone through that because the lending environment affects the multiples. It is also important to capitalize on the brand cycle by understanding when a brand is underperforming or doing well. You don't want to buy high and sell low."

The decision to sell at the optimal time requires a franchisee to leave their emotions off the selling table.

"People get blinded and think it's going to go on forever," says Hui. "I can tell you after 24 years in my business it doesn't go on forever. Everything is a cycle."

CONCLUSION

No matter when you decide to sell, there will always be a market for a successful business. Value ultimately lies in what the market is willing to pay.

"I know there are formulas for multiples of EBITDA, multiples of sales, quality of locations, new store pipeline, etc.," says Khoja. "But at the end of the day, it's no different than buying stock in Apple or Tesla. If the market is willing to pay a high or low valuation, they will. So my process had a lot to do with the market setting my price. I knew what my minimum was, and the market met or exceeded my minimum targets." ■

Entrepreneur

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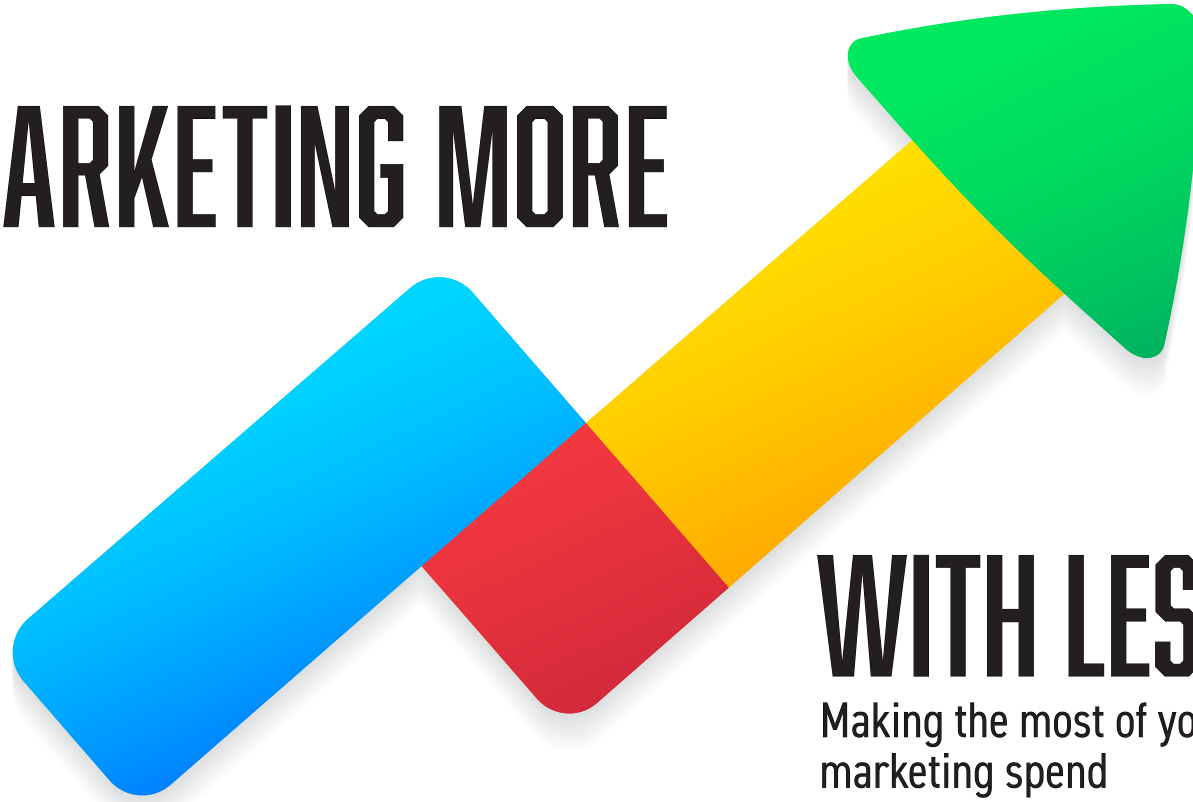
MARKETING MORE WITH LESS



Making the most of your marketing spend

Written By **EDDY GOLDBERG**

Tough times reveal character. Tough times also reveal leadership, innovation, and the ability to adapt quickly to uncertainty. This is especially true when it comes to consumer marketing in a pandemic, where in-store traffic is down and in-home service visits are severely curtailed—reducing revenues and placing added pressure on marketing budgets.

So how can franchisees lower their marketing costs without affecting sales and customer traffic in these Covid-ridden times?

For restaurant and other food brands in 2020, one savior has been drive-thrus. QSRs and many other brands have been playing up their "no contact" service in both traditional and social media channels, nationally and locally. Franchisees who already had drive-thrus when the pandemic hit were a step ahead of those who didn't. Those without them scrambled to build them if they could, and rapidly create a carry-out, pickup, or delivery strategy.

Drive-thrus certainly saved Bryce Bares' bacon at his 12 Dunkin' Donuts in Nebraska and Kansas. And with three more in development, you know they'll have drive-thrus.

"Dunkin' has a very strong mobile app, so much of our traffic is going through the drive-thru. And with safety and health so important to our teams and our customers, we're pushing our mobile payments options as much as we can," says Bares. It's not only a safer way to pay, he says, it also helps build customer loyalty.

"We had to recalibrate our strategy entirely," says Bares. "We pulled a lot of our marketing dollars when Covid first hit. It made no sense to spend when customers weren't." Observing consumer behavior over the ensuing months, he saw an increase in drive-thru business and little to no foot traffic. So he focused his marketing spend on social media. "Social media is a very effective, low-cost way to drive traffic," he says.

Turns out his franchisor thought so too. "Initially, Dunkin' put a lot of money into sports partnerships and other traditional marketing media that were disrupted by Covid. Social media is an opportunity to market in a post-Covid world."

Pre-Covid, he says, delivery was not huge to begin with for Dunkin' especially in Nebraska. "It was a blip. Now it's a huge part of our sales. We've partnered with all the delivery companies."

Catering, on the other hand, will probably see the opposite effect, a result of the big drop-off from large gatherings and closed offices, he says. And he did have to shut one unit, located on the University of Nebraska campus. It had no drive-thru.

"I think we're going to see some permanent changes in consumer behavior, including traffic patterns," he says. And, as many companies continue their shift from office work to working from home, this is likely one of those long-term changes. For example, a business located near office buildings will have to adjust, find new customers, or possibly relocate or close.

Reduced commuting has also affected his business, but the changes are not all dire. "There will be new traffic patterns, so the way you advertise will be different, he says. "I think all of us are waiting to see what permanent changes come out of Covid and deploy our marketing dollars accordingly."

Big picture? "We've been very fortunate," says Bares. "We were hit very hard early. The drive-thrus saved us."

"GOOGLE IS MY BOSS"

When it comes to using social media as an effective, low-cost way to drive traffic, Sarah Toney, a multi-unit franchisee of Any Lab Test Now in Austin, Texas, has a lot to say. She and her husband have been multi-unit franchisees of the brand since 2008.

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Bryce Bares


Sarah Toney

Toney says combining email marketing with becoming more expert at using Google My Business (GMB) has kept their business going during the pandemic—along with a built-in advantage unique to her brand: the ability to add Covid testing as a service as the pandemic continued to spread.

"My first rule of business is to retain customers and build a loyal relationship with them. They say it costs five times as much to acquire a new customer than to keep an existing one," says Toney. "We maintain a positive sending reputation by rewarding our loyal customers through email marketing campaigns. We're very straightforward about our exclusive offers and promotions and offer deep discounts so we can stay in good standing with our customers."

Toney has found automated email marketing campaigns an easy and inexpensive way to engage and retain customers and drive sales. "One of the nice things about using a company like Mailchimp is you can measure and track performance in live-time and segment your audience. We continue to see a 25–30% open rate, and our customers continue to interact with our emails. I believe this is an easy way to boost client loyalty." She says her average spend is around $180 per month for 10,000 customers.

In addition, there are the metrics. "We have the ability to measure specific data points, like online sales and coupon redemptions, so we know it works. We see the ROI in live-time and it's very cost-effective. It's a win-win for our client base and our business."

Says Toney, "I believe email marketing is one of the most cost-effective ways to retain customers and keep them coming back."

GOOGLE MY BUSINESS

But when it comes to marketing more with less, it's Google My Business that has her most excited. "I'm a fanatic, I love this stuff," says Toney. "It's like Google is my boss," and she has become adept at optimizing her presence there.

"As a multi-unit operator I have multiple listings on GMB, which is an amazing free tool for lead generation," she says. On average, she publishes special product and service updates about her business three times a week. "There are some great features with GMB that can be highly influential when a customer is choosing your business over a competitor's."

GMB is a free tool that allows businesses to manage how they appear on Google Search and Maps. It allows businesses to add their name, location, and hours; monitor and reply to customer reviews; add photos; learn how and where potential customers are searching for your business; and more.

"Every business owner should be using the GMB features to optimize their profile," says Toney. "We have built a strong reputation and relationship with Google by posting weekly updates in the offer and updates section, and by posting regular store pictures, as well as asking customers to share positive feedback."

She recently turned on the text message feature in the GMB app. "This is a really nice way to help customers get the information they need faster and increase engagement. All of our business locations are placed in the Google 3-pack, which is great exposure in local searches," she says.

"This is the most inexpensive way to market your business! There is no cost associated with Google My Business and it has been the most powerful marketing tool for my business, especially during Covid. The Covid-19 update feature has allowed our business to promote the Covid testing we offer and the safety measures we have in place for customers—at absolutely no cost," she says.

"In the beginning, we were not doing Covid testing. Pre-Covid, we were like every other business, scared of closing down." However, Any Lab Test Now was declared an essential business. Fast forward 6 months and she's offering antibody testing for past infections and molecular (PCR) testing for active infections (the nasal swab). The antibody test is $99, and the PCR test is $199.

Toney says many business owners don't appreciate the power of Google My Business to bring in customers. "Through the years, as a business owner, I learned how important it is. The more content I put into GMB and the more I update photos and news, the better the results." ■

CRISES FORCE US TO RETHINK EVERYTHING – ESPECIALLY MARKETING

Written By **STEVE SCHILDWACHTER**

You've rethought operations, personnel, and customer service, so it's natural to rethink marketing. "Rethink" doesn't necessarily mean "reduce," however. You may indeed wind up reducing your marketing budget, but start with a strategic question: What must you do differently? Here are some questions to help you get there.

What's different about how your customers find you? This is the biggest question of all because it will inform how much you invest in marketing—and how you invest it. For example, with the sudden rise of home delivery, more customers may find your restaurant in sales channels you never had to use before, like Uber Eats or Doordash. Customers may be shopping your category directly instead of using a referral source. In some markets, radio and OOH will be less effective because people aren't out and about as much. The point is to identify how the consumer decision journey has changed and make sure you're allocating your budget accordingly.

When did you last review your digital basics? Understandably, we all get busy, and sometimes set-and-forget our digital basics. If that's you, then this is an excellent time to look with fresh eyes at your website, your Google business listing, your SEO strategy, and your social media feeds. For example, if you started delivering a product or service, or if you extended or changed hours of operation, you'll want to make that clear when people find you online.

Is your online content and point-of-sale material right for the times? This is going to be tricky as the world recovers from the pandemic, because we're likely to see things get better at one time or place and worse at another. You want to strike a balance between *great* customer experience and *safe* customer experience.

How strong are your customer retention efforts? It's old wisdom that acquiring new customers is several times more expensive than retaining existing customers. It's also said that recessions are times when customers may switch brands. Do what it takes to keep the customers you've always had, especially if you're in a category that slowed down during quarantine, because customers may forget about you. Provide information that may help them in an uncertain time. Tout a new product or service. Email might be a very effective medium; in fact, email response rates rose during the pandemic.

How can franchisors help franchisees come out ahead? We've thrown out some important questions here, but in a pandemic or recession, it's more important than ever that everyone representing the brand be rowing in the same direction. It's more than likely that the first question (remapping the customer journey) will be successful if franchisors and franchisees analyze it together. Similarly, franchisors can work with franchisees to establish best practices for refreshing the digital basics, making sure messaging is right for the times and for retaining customers. If your brand doesn't normally row in the same direction... well, don't waste a crisis. This is an excellent opportunity to make that happen. ■

Steve Schildwachter, an advisor to franchisors and franchisees, previously was CMO at BrightStar Care and represented franchise brands while at Leo Burnett and FCB Global.

Permission To Complain

Make it easy for your customers to talk to you

Written By
JOHN DIJULIUS

"A complaining client is giving us the opportunity to make things right; it's the silent ones who hurt us. They don't remain silent once they leave our business."

Think about the last several times you had a disappointing experience as a customer. Did you tell anyone at the company? You left a business frustrated or hung up the phone more stressed than before you called.

If you are like most people, you don't bother to waste your time sharing your displeasure with anyone at the business that disappointed you. Why? Because most customers don't think anyone really cares, no one really wants to hear about it, or they will think you are trying to get away with something. So why would a customer want to waste the time? How often does it play out in your business that customers leave unhappy without letting anyone know?

If we are not making it easy for our customers to give feedback, then it is happening to us more than any of us realize. Our customers have better things to do with their time than hunt us down to complain and then feel that it didn't make a difference.

HOW TO GET YOUR CUSTOMERS TO SHARE

There are several ways to give permission to our customers to communicate with us. Now I am not talking about customer measurement devices that ask customers their level of satisfaction and how likely they are to refer. While that is vitally important, what I am referring to is something totally different. I'm talking about giving your customers permission to communicate easily, in a nonthreatening way—and not just giving them permission, but also asking for their advice and feedback, both positive and negative. Few companies ask their customers for praise and lose the opportunity to celebrate and perpetuate outstanding performance. However, even fewer companies have the courage to ask their customers for feedback if their experience was below what they were expecting.

It is so simple. It is just marketing to your customer on everything: invoices, orders, emails, at checkout, on the website, even in restrooms. Here are some examples of what companies have used:

"Please tell us about your experience. It is very important for us to know how we are doing."

"We want your advice on how we can be better."

"Did we hit the mark today? Tell us. Did we miss? Tell us, please!"

"Was someone a hero for you today? We want to recognize them."

"Were we the best part of your day? If you can't answer yes, we need to know why."

HOW ACCESSIBLE ARE YOU?

Umpqua Bank, based in Portland, Oregon, states that customer service is what separates them from other banks. Doesn't every bank say that? Yes. The difference is Umpqua backs it up. First, the bank's customer service vision is, "Making sure every customer who walks into our stores or commercial centers is a better person for having banked with us."

There is a sign that hangs in every location: "Welcome to the World's Greatest Bank." This is not a tagline. It's a state of mind, says the bank. As they like to say, "It's where an errand turns into a pleasant escape." Each Umpqua Bank offers a place where their customers can hang out, surf the Internet, or have a latte. Backing that up is "a promise to do better than anyone expects of us today, then do it even better tomorrow."

WALKING THE TALK

As the owner of a chain of upscale salons and spas in Northeast Ohio, I have always tried to make it easy for guests to get in touch with me. For years I have had signs posted that say: "I want to know about your experience and have provided my direct email."

I thought this was successful because every so often I would get an email sharing feedback. However, I realized if I really wanted to back up our experience, I needed to show our guests that I was serious about hearing from them. So I added my cell phone number. This is also posted on the John Robert's website. My salons and spas see more than 10,000 customers every month (pre-Covid, of course).

To my surprise, I didn't get as many phone calls as I thought I would, but what I did get was a dramatic increase in guests emailing me. Even though I had always offered my email in the past, the mere fact that I was willing to share my cell phone number made them realize that I really wanted to know, which made them care more about my business and want to help me by sharing when things are not as good as they could be. The other surprising thing was the increase in positive stories I started receiving. This allowed me to recognize, share, and celebrate these stories company-wide, which in turn perpetuated that type of behavior. ■

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

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5 Covid-19 Leadership Strategies

Opening new avenues for worker satisfaction

Written By
MATHIEU STEVENSON

The Covid-19 pandemic has been a challenging time for most businesses. Franchise leaders know this better than most, as they've been required to display continuous flexibility and a willingness to overcome even the most difficult challenges. Whether it's forced closures of gyms, converting parking lots into outdoor dining spaces, or adopting a revised delivery model, nearly every franchise has felt the impact of this pandemic.

But just as we've seen organizations change to fit this new normal, business leaders also have had to evolve to best support their employees during this time. Simply put, the happier and more well-managed your workers, the better service they provide to your customers on a consistent basis. While there's no rulebook for leading during a pandemic, the following strategies can help to mitigate challenges, while opening new avenues for worker satisfaction.

Communication. This is often repeated but cannot be overstated: During a time of misinformation and doubt, communication is absolutely key. For franchise leaders, consider instituting weekly updates in the form of email or video messages on what you're seeing with the impact of Covid-19, your outlook on the future, and actions the business is taking to adapt. By sharing what you are thinking and seeing, you open the lines of communication for employees to express any concerns or challenges they are having as well.

Transparency. Of equal importance is the need for transparency. At Snagajob, we provide the entire organization with full visibility into our weekly operating and financial metrics, as well as opportunities to ask questions about how the business is performing. Don't be afraid to be up front about any challenges the business is facing and the reality of the current situation.

Time off. Workers have been logging longer hours and picking up shifts to make up for wages lost during the outbreak of Covid-19. As a result, it's imperative that franchise leaders look to reduce burnout and support their employees' mental health wherever possible. To achieve this, consider providing additional paid time off (or even closing shop for a specific day) to give employees a much-deserved break and opportunity to recharge.

Connection. Happy hours and other in-person activities might be out of the question, but that doesn't mean employees won't appreciate a chance to connect and bond as a team outside of their daily routines. At Snagajob, we launched our own SnaggerU "Home" Edition, featuring classes building on the diverse talents of our colleagues on topics such as grilling, yoga, and cooking. While this might not be achievable for all organizations, I'd encourage leaders to look for opportunities to safely foster teamwide connection outside of regular working hours.

Flexibility. This has been an incredibly hard time for all workers, especially those supporting families while working in the challenging conditions of the pandemic. Recognizing that many employees are juggling work while their kids are at home, consider providing flexible scheduling options. Each worker's situation is different but, when possible, a willingness to adapt to their availability and needs not only will help create happier employees in the short term, but enhance recruiting and retention in the long run.

IN ADVERSITY LIES OPPORTUNITY

One of my favorite quotes is, "In adversity lies opportunity." This pandemic has created a seemingly endless list of new problems to tackle. However, as I've told my team here, it has also provided equal opportunities to overcome these challenges and become more effective leaders.

Each day, our customers and their workers are on the front lines accomplishing critical and difficult tasks, while still dealing with fluctuating regulations, changing consumer expectations, and an overall lack of consistency in their day-to-day operations. More than ever, these employees need effective and coordinated leadership to help enhance their work lives, improve morale, and support them during a time of great uncertainty and stress.

Leading with empathy and compassion will go a long way with employees and ultimately help sustain your business, now and in the future. ■

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

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9 Steps to Your 2021 Budget

Flexible planning for an uncertain time

Written By
ROD BRISTOL

The Covid-19 pandemic has affected different businesses in different ways. Our clients in the home improvement/DIY space are working 14-hour days, 7 days a week, with sales up 40% to 50% over 2019. They are in a "sales tsunami" of unprecedented proportions.

Contrast that with our clients in the fitness business who have been closed since March, may not open before year-end, and are facing possible bankruptcy. No matter the circumstances in 2020, all businesses must plan for an unpredictable 2021.

So what could 2021 look like? I see four possible revenue scenarios based on the shape of economic recovery:

V-shaped: This is the most desirable scenario for next year; our unprecedented economic collapse followed by a consistent growth pattern back to normalcy by mid-year.

U-shaped: This shape depicts an economic collapse that is extended over a long period followed by a gradual recovery late in 2021.

W-shaped: This shape represents multiple rounds of Covid-19 infections causing additional shutdowns and reopenings for many sectors.

L-shaped: This represents an economic collapse that simply never recovers, and commerce as we know it today is changed fundamentally.

DYNAMIC BUDGETING FOR 2021

Do not give up on planning for 2021! Create a rolling 12-month budget that you can review and update monthly based on your actual experience. Use a spreadsheet program so you can easily make a change and see how the new story unfolds. It all starts with predicting your sales for 2021 and using a tool that enables you to quickly and easily recalibrate your expectations as time goes by. (Find a free template for your rolling 12-month budget and cash flow forecast on our website.)

FORECASTING 2021 SALES

If you lack confidence in your ability to forecast 2021 sales, you are in good company. You have several options. If you are having a great 2020 and feeling optimistic, you may be tempted to set your sights up 10% from this year. Perhaps it is safer to budget even with 2020. Some will choose to use 2019 results as a base and budget up 10% to 20% from there.

Real results will depend on the changes in consumer buying behaviors. How will they affect your business? Will you need to invest in product changes, new marketing, or technology to adapt to the new behaviors? Today more than ever it is essential to track your sales trends and seek to understand how changing buying habits can drive sales forward. It's time for innovation, creativity, and bold moves.

WHAT TO PUT IN YOUR BUDGET

So what should be included in the 2021 budget? Flexible sales goals and realistic expense plans!

Flexible sales goals. As you set goals, be aware of your product mix and the margins that are driven by each line item. Part of setting sales goals should be a clear focus on improving gross margin for 2021.

Realistic expense plans. Your expense plan should incorporate expected staffing changes. Will you add staff or replace poor performers? How will you find the best available new hires? Will you incur recruiting costs? How will new paid time off and PPP loans affect your decisions?

Many businesses must now change their marketing focus, investing differently and possibly investing more than in previous years. The marketing plan must align with the sales plan, driving the level of inquiry necessary to result in the forecasted sales.

What about overhead? Most have already cut all the excess expenses possible and should consider whether investments are needed to develop new products, reinvent sales processes, or create new marketing assets.

SOME TIPS FOR BETTER BUDGETING

First and foremost, Just Do It! Beyond that:

- Align your advertising/marketing expenses with your marketing calendar and be sure you have established a clearly thought-out and aggressive marketing schedule for 2021.
- Run a 12-month P&L statement from 2019 for reference to be sure the plan you are creating has some validity based on a normal year.
- Estimate your fixed expenses based on your monthly dollar spend.
- Estimate your variable expenses as a percentage of sales.

Operating without a budget puts you at a distinct disadvantage to competitors who know their costs, monitor their results, and make business changes quickly if things do not go to plan. This takes process, discipline, and some basic financial acumen. If the terms fixed and variable expenses are not familiar to you, or if you do not know your monthly breakeven, take advantage of the financial education available on our website.

9 TIPS FOR 2021

Finally, incorporate these 9 tips into your plans for a great 2021:

1. If sales are strong, drive profits now while you can and build cash reserves.
2. Modify your products or services and your customer experience to align with customer buying behaviors.
3. Keep personal and business expenses scalable.
4. Keep your accounts receivable clean.
5. Stay current with suppliers.
6. Don't use credit cards to finance your business.
7. Pay attention to your balance sheet; don't let debt get out of control.
8. Cultivate an ongoing relationship with your banker.
9. Monitor your flexible, dynamic budget and recalibrate your plans as your future unfolds. ■

Rod Bristol is Director of Business Development at 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 business decisions, and earn more profit. Learn more at www.profitsoup.com or call 206-427-5333.

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Rental Recalibration

Landlords and tenants alike are adjusting

Written By
RANDALL HENDERSON

As the country continues to navigate through the pandemic, commercial property renters are facing an increasing struggle to reshape their business models to move outside their traditional brick-and-mortar spaces, while the residential industry moves business toward property management companies and away from independent landlords.

RESIDENTIAL RENTALS

Landlord-tenant relationships often can be strained. However, to keep tenants in their homes and help landlords plan for late payments amid the pandemic, the property management industry has grown more flexible. With data suggesting that rent collection is down only 3–5% since March, the rental market has not been affected as severely as many had expected.

Many landlords and property managers have adjusted to become proactive and communicate more openly with their tenants, documenting who has been affected by the pandemic and assisting them as best they can, including pointing them in the direction of any additional aid they could potentially qualify for. Tenants who previously proved to be timely and responsible are being trusted as such, and payment plans have become a temporary solution to aid those who aren't working, or who are working less frequently or for less pay. For many property managers, the mindset is that a good tenant pre-Covid will be a good tenant post-Covid. Additionally, many independent landlords are seeking advice from property management companies and making the decision to hand the reins over to them. For our company, the number of properties managed has increased in some areas over the past 6 months.

With the additional unemployment benefits from the CARES Act expired at the end of July, the rental market is anticipating that the lower-than-expected reduction rate in rent collection may change. Unless an additional stimulus package is released or additional unemployment benefits are awarded to renters, it's likely landlords will see an increase in the number of tenants unable to pay their rent on time, if at all.

COMMERCIAL RENTALS

With SBA loans running out and businesses that have received them reluctant to spend their loan on rent, commercial renters and the industry at large are taking a hit.

In the case of commercial properties, landlords are being forced to reevaluate rent expectations. Most businesses are reliant on revenue as the main contributor to their rental payment, so without regular business and additional government funding there is not a viable long-term solution. An estimated 75% of commercial property renters have been able to complete payments compared with 95% of residential renters.

Brick-and-mortar businesses unable to transition their business online or to drive-thru, pickup, or delivery are more likely to go out of business. Without stronger legislation in favor of aiding these struggling businesses, adapting to alternative models is the only way to remain afloat.

LOOKING AHEAD

As the country continues to navigate the pandemic, many of the unprecedented problems that arose received Band-Aid fixes and creative solutions, some of which will have lasting effects on how the industry does business.

For example, when it comes to transitioning between residents there is a new standard of cleanliness property managers and previous homeowners are now held to. Management companies are making strong efforts to update their health and safety guidelines and staying informed on best practices for sanitizing rental homes and apartments.

With in-person home showings no longer a safe option for Realtors or residents, lockboxes have been the easiest way for interested parties to see homes themselves. As self-showings start to become the industry standard, companies like Tenant Turner and Rently continue to see development.

As we discovered at the beginning of the pandemic, the future of real estate and property management is uncertain and will likely be tied to Covid-19 case projections and breakouts. As it stands, 30% of the commercial market is out of business and unemployment is stagnant. Without more significant intervention and government assistance to banks and renters it is difficult to say how long a residential recession will be postponed.

It's hard to know what a full recovery will look like, but as the industry makes adjustments it is clear that we cannot expect a complete return to "normal" any time soon, if at all. For now, property management companies are following changing consumer behaviors and surviving within business strategies that have been implemented to set them up for success as things continue to move forward.

While property managers continue to do their best to help their tenants, it is important that they continue to help themselves as well. For example, to diversify to a more steady stream of income, we are offering our managers the opportunity to take on multiple pillars of management: doing business in commercial, short-term, association, and residential fields. It's a strenuous time for everyone involved, and seeking creative solutions when possible is the key for survival through these difficult times. ■

Randall Henderson is Vice President of Commercial and Residential for Property Management Inc., based in Lehi, Utah. Founded in 2008, PMI provides expert property management services and solutions across four pillars: residential, commercial, association, and vacation rental management. Call 801-477-8556 to learn more.

What, Me Worry?

Remain watchful and patient

Written By
CAROL M. SCHLEIF

"When I look back on all these worries, I remember the story of the old man who said on his deathbed that he had had a lot of trouble in his life, most of which had never happened." —Sir Winston Churchill

Throughout much of the record-breaking post–Great Financial Crisis market rally, the stock market seemed to climb a never-ending "wall of worry" as investors fretted about a wide variety of things, many of which never came to be. This line of anxiety, seemingly fed by headlines in the popular media as well as social media amplification, often ignored constructive tailwinds that kept both markets and the economy chugging along at a steady upward pace.

Despite all the fretting, U.S. stock markets hit record highs in late February. Interestingly, funds flows were persistently *out* of equity mutual funds and ETFs through much of the period, but particularly since 2015. Despite the much reported fear of missing out (FOMO), investors were voting with their dollars by pulling money out of stocks and putting it largely into fixed income—all illustrating in pointed detail this anxiety over the viability of equity investment.

By late Q1, with the dawning realization of the seriousness of Covid-19, markets reversed course in record-breaking time, plunging nearly 40% over the next 5 weeks. To some, it was almost as if the fretting of the previous decade had finally borne fruit. Yet almost more unbelievable than the rapidity and severity of the pullback was the speed and velocity of what came next: a retracement that carried most domestic averages back up to even higher highs by late summer. This rebound is anything but reassuring to those who fretted all the way up the last time, producing a psychological conundrum of what to do next—buy, hold, or sell?!

As we have noted before, to keep our clients (and ourselves) rooted in steady process and long-term perspective, we adhere to several key strategies through all market cycles. These disciplines are especially important now, when so much seems out of kilter and the situation is caused by such an unusual culprit.

- **Regular rebalancing.** Market volatility, particularly if it hits different asset classes disproportionately, can lead to unbalanced portfolios. By consistently monitoring core asset classes of equity, fixed income, alternatives, and private capital for the need to rebalance, volatility can be put to constructive use. Trimming outperformers to round up on those that have been left behind (presuming long-term fundamentals remain intact) can help assuage a knee-jerk response to want to jump all the way out or into a particular asset class based on short-term emotions. Central to this strategy is viewing potential reallocations on a tax-adjusted basis.
- **Thorough assessment of the weight of the evidence.** It is all too easy to be swept away into the emotion of 1,000-point Dow swings, or "once in a lifetime" events like the entire U.S. Treasury yield curve trading with rates below 1%. To gauge the best way forward in times like these, it is especially important to review each of our many models and inputs that measure economic, fundamental, technical, sentiment, and valuation parameters, and evaluate them all together in a methodical and logical fashion. Focusing on one particular theme or set of statistics (e.g., employment, Fed balance sheet, overall debt levels) can lead to blindered thinking and inaccurate assessment as each event is seldom, if ever, so narrowly bounded.
- **Frame the context.** There is an old Wall Street adage that admonishes never to say "things are different this time." Yet it is important to admit that while there are always lessons to be gleaned from previous periods, sometimes things are quite different. Toward that end, we spend a great deal of time outlining the current situation and how it may play out similarly to or differently from what has come before. We consider important factors such as the health of businesses, consumers, and governments going into any given period; policy shifts taken or not; political and geopolitical events; technological change; human behavior, especially as influenced by demographic cohort; and other factors such as interest rates and social change.

Taken together, the weight of the evidence seems to us to be evenly balanced at present between potential risks and potential opportunities. Many trends that have come to the fore (both helpful and challenging) were already in place before the pandemic, but have since become accelerated (e.g., the need for ubiquitous Wi-Fi, cybersecurity, re-shoring of manufacturing capacity, work from home, and videoconferencing). It will likely prove more fruitful to focus on the impacts likely to affect the intermediate- and long-term investing horizon than to expend brain space worrying about the near-term outcome of elections.

It is also important to remember that markets are a *leading* indicator, focusing on what comes next, not what is currently transpiring. When presented with the pandemic, investors quickly focused on both the course of the disease and the speed that companies adjusted their business processes (e.g., pulling investor guidance, raising cash, rearranging distribution and logistics methods). By the time Q2 results were announced in July and August, investors were getting some clarity about the winners and losers—with more than two-thirds of companies beating revised expectations.

Aside from regular rebalancing and using the rebound to reassess comfort with your long-term asset allocation targets, we suggest the wisest course at present is to remain watchful and patient as events play out. Within a few months there will be much more clarity on the course of the pandemic, the election, and the pace of economic growth. Pay attention to the weight of the evidence, instead of worrying about what may never come to be. ■

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.

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Transmission Transition

Passing the family business to the next generation

Written By
KERRY PIPES

Randy Whitworth sits in the middle of three generations who have all worked in the auto repair business. His father was a diesel mechanic, and he followed suit, spending more than 40 years in automotive repair. For the past 34 years, he has been in business for himself. Today his three adult children also have followed suit, and all work with or near him in their home state of Alabama.

"Car repair is in our family's blood," says the 61-year-old. So is succession planning.

Whitworth got his first taste of franchising in the mid-1980s when he opened his first Mr. Transmission. He liked the way the model worked so he bought another nearby in 2007. Today he owns Mr. Transmission shops in Riverchase and Pelham, Alabama. His daughter Amberly manages the Riverchase shop, and his son Randall manages the Pelham location. Kimberly, his elder daughter, opened her own Mr. Transmission shop in Birmingham in 2019.

As you might expect, his kids grew up in the business, just as he did. Whitworth recalls his children coming into the shop before and after school when they were younger and pretend to fix cars, work behind the desk, and talk with the customers. As teenagers, they took on real jobs at the business such as cleaning, writing up job tickets, and ordering parts. They seemed naturally drawn to the business and were able to spend extra time with their father while learning the ropes.

"I've really been blessed. They are all wonderful children," says Whitworth. "I still have some things to teach them, but I feel really good about how successful they have been."

Though the kids all worked with "Dad," they understood that everyone was treated equally in the operation and there has never been any preferential treatment. When they come to work their boss is "Randy," not "Dad," something the other employees recognize and respect.

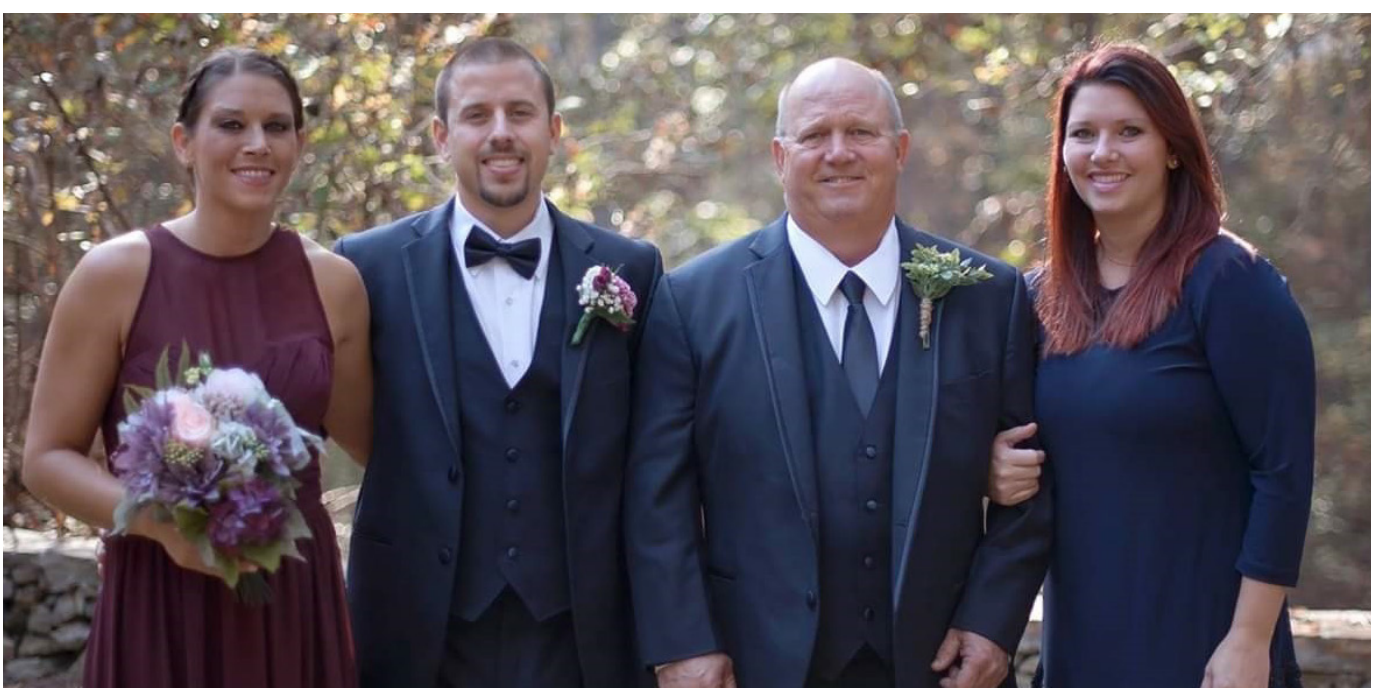
Whitworth says his children all *chose* to work in the family business, that there was no pressure from him. He says each has their own niche and is really good at what they do. Randall is great with mechanics in the shop and shooting for perfection with the details. Amberly can diagnose problems in vehicles with the best of mechanics and is good at finding parts. And Kimberly is particularly strong with business skills.

Kimberly, he says, took an interest in the business early on. By the time she was 15 she was already helping at the shop, cleaning windows and doors. "As you show a little responsibility, you just get a little bit more responsibility," she says. That's how she found herself eventually coordinating sales, marketing, advertising, billing, and other administrative tasks. She says her father also taught her how to interact with customers, the importance of finding and using quality parts, and earning the trust of customers by taking care of them.

Before setting out on her own to open a Mr. Transmission/Milex shop, she spent a dozen years learning and doing all this at both of her father's locations. In March 2019, she signed a lease on a property, renovated the space to include 10 indoor vehicle work bays, and opened in June. Business is good, she says.

Now in his 60s, Whitworth thinks about the future and says he will continue training his children on all aspects of running the business. He says it's important for them to be able to operate *and* manage the operation before he passes it on to them.

All three children say he's done a great job preparing them. From his knowledge of cars to his ability to build relationships with customers, they say they still learn something new from him every day. ■



Winners & Losers

Covid-19 also brings growth opportunities

Written By
CARTY DAVIS

The past six months have been one of the most challenging times for the restaurant industry in recent memory. Whether you are an operator, franchisee, franchisor, capital provider, or advisor, the roller-coaster ride continues. Just when the economy and the restaurant industry began to reopen, many states began seeing a second surge in Covid cases, which has led to countless rule changes and opening delays that have varied across the country.

Nevertheless, winners and losers are emerging within the restaurant industry, as well as within real estate and finance. Smart operators, investors, and brands are looking at a post-Covid landscape with a new lens. Those who were able to successfully navigate the pandemic are now positioning their brands and companies for growth in a post-Covid world where the drive-thru has proven indispensable, and brands that were fully digital-ready and able to maintain consistent and constant contact with their customers rule the day. Brands with efficient off-premise platforms and those able to maintain profitable operations at lower sales volumes have an edge over the competition. And as the landscape settles, brands and operators must take advantage of growth opportunities by focusing on liquidity, real estate, financing, and staffing.

Liquidity. Preserve and maintain as much liquidity as possible. Now more than ever, *cash is king*. Ensure maximum forgiveness of PPP loans. Take advantage of other government relief programs such as the EIDL loans for smaller operators and the Main Street program for larger operators. Work with lenders on longer-term, interest-only facilities or restructure credit facilities altogether if business conditions have not improved. Evaluate expenses with a focus on discretionary spending, service contracts, and consider hiring third-party firms specializing in expense reduction.

Real estate. Close unprofitable or marginal restaurants. Tier 1 brands such as Dunkin' and Burger King are accelerating the closures of hundreds of locations as they recognize that these closures strengthen their franchise base and enable their franchisees to reinvest in profitable locations, evaluate new development opportunities, and maximize cash flow. To maximize returns for all stakeholders, operators should be reinvesting in their best restaurants and trade areas. There simply isn't a seat at the table for marginal trade areas and locations.

Unit growth to appease Wall Street is over. Smart, profitable reinvestment will guide high-performing brands and franchisees to the post-Covid winner's circle. Independent brands are closing at an accelerated pace. Prime real estate locations that would not ordinarily be vacant are becoming available in many markets. For restaurants without drive-thru windows, brands are getting creative on engineering drive-thru sites where possible, and on expanding with a focus on the drive-thru.

Financing. Winners and losers also are emerging within the capital and lending markets. The landscape going forward can be viewed as a traffic light. Green: Capital providers that see Covid as an opportunity to increase market share in targeted brands and industries. While the credit parameters have tightened, some capital providers are back to approving new opportunities for new and existing borrowers. Yellow: Capital providers that are proceeding with caution. This next tier of lenders is selectively reviewing existing borrowers and supporting creditworthy franchise groups operating in existing brands and regions. Only loans with solid credit parameters are being funded. Red: Capital providers with significant stress in their existing portfolios will be on hold for the foreseeable future, if not exiting the franchise finance vertical completely. Whether they had excess exposure to an underperforming brand or region, their existing portfolio needs help, and they are not open for new business.

While unitranche and non-regulated lenders can and will fill some of the regulated lender void, this will be an evolving period for the finance industry. As franchisors ramp up development, conversions, and remodeling programs, franchise owners must have a predictable source of debt capital. For operators, this is an opportune time to review your lender relationships and ensure your existing lender can and will accommodate your future needs. If you are uncertain how your lender views new capital requests, start asking. How will your lender deal with covenant defaults? Will previously accepted adjustments and assumptions be allowed going forward? Will you still have access to development lines of credit? The answers (or lack) to these questions should help guide your plans moving forward.

Staffing. The restaurant industry has been, and always will be, a people-driven business. Growth and success are dependent on hiring and retaining the best talent available, and the current environment is an ideal time to upgrade staff and key management positions. Start using benchmarking tools to identify the best employees. Use these tools to improve hiring and retention. Evaluate your key staff members. How did key employees perform in a different operating environment with less face-to-face interaction? Business practices are evolving. Ask yourself whether current top performers will be the same in the future. Where do you need to invest in people resources in a post-Covid world?

CONCLUSION

Theunprecedented nature of the pandemic has forever changed the franchise and restaurant landscape. Still, our industry is full of hard-working, nimble-minded professionals who continue to innovate and figure it out. As the reset evolves, our industry will emerge stronger and more resilient coming out of Covid, especially for the stakeholders who anticipate, adapt, and proactively manage their businesses for the new realities of the Covid and post-Covid world. Our advice is to focus on the future and put your company in a position to grow. ■

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.

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Measure Twice, Buy Once

How the Covid crisis will determine brand winners

Written By
DARRELL JOHNSON

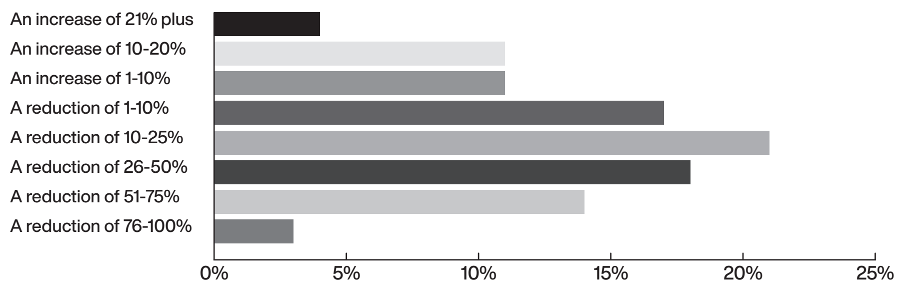
Every crisis creates brand winners and losers. This one is no different. Eventual brand winners will be those that best understood the long-term implications during the crisis and reimagined their businesses from the ground up. I'm not yet prepared to forecast the winners, but I can raise some questions that might help multi-unit operators consider their next brand or industry to invest in.

Should you focus more on established or emerging brands? Reimagining from the ground up can lead to dramatic changes in offerings. This requires capital and the willingness to change. Many legacy systems won't (or can't) make the changes necessary to be in the winning column. Ironically, mature brands generally have more capital to make changes, while emerging brands have a greater ability to alter their models. As we saw after the Great Recession, new winners emerged and some became powerhouses. The next cycle is already under way. Let's look at some of the early indicators.

We surveyed more than 100 franchisors across a representative set of sectors (excluding hotels) in late summer and learned the following.

INDUSTRY	% OF UNITS CLOSED
Child-Related	21%
Health & Fitness	15%
Sports & Recreation	90%
QSR	3%
Restaurants (Sit-Down)	12%
Retail Food	20%
Beauty-Related	6%
Printing	3%
Baked Goods	3%
Retail Stores	7%

SYSTEMWIDE REVENUE CHANGE PRE-CRISIS TO NOW



However, we know some sectors have been disproportionately affected in a negative way, especially in retail. From the same survey, we found the following.

Sectors experiencing large business disruptions are most likely to experience dramatic changes in how their services are delivered. I will focus on fitness, reflected under Sports & Recreation. The fitness industry has essentially been shut down. Since people have been forced to find at-home options, a balance of at-home and in-retail offerings is the most they can hope for post-Covid. Sure, people will return to retail locations for workouts, but few are expecting a full return.

How will franchisors need to modify their retail models to reflect changes in consumer behavior that will be permanent? The at-home workout trend was under way long before Covid (e.g., Peloton), but it was developing slowly until every fitness buff in America was forced to find alternatives to "going to the gym." Mature brands had been investing in technology, but it was focused on what they already were offering: a retail experience, not the in-home market. Legacy fitness brands are now scrambling to accelerate their technology applications to keep customers interested and their brands connected beyond their retail presence. That's hard for mature brands to do, especially so for franchisees suffering through an extended shutdown.

From 2009–2013, we saw many start-up fitness brands come to market with creative new offerings that became very appealing to the rising Millennial market. These new brands were almost exclusively built on a retail model, trying to take a slice of existing consumer behavior. Is that model about to be disrupted by the next generation of fitness brands that balance retail with in-home or perhaps a non-food version of home delivery? That is very likely.

At the beginning of the last recovery, there was a land grab for prime real estate. Multi-unit operators led that charge. Will that happen again? We have a large swath of retail that is closed. In many locations, they may not reopen, at least not by the same tenant. Some fitness brands (especially those backed by PE) are preparing for that land grab. Are they missing a key consideration? *How permanently have fitness consumers changed to make those prime retail locations less prime?* Some of our clients are conducting research to understand what has changed before they rush to take advantage of weakened competitors. But perhaps weakened competitors may not be the set of competitors they should be worried about.

I see some parallels with the hair care industry after the last recession, when stylists, for various reasons, went out on their own. Brands like Sola Salon Studios and Salons by JC came into existence. In this crisis, we have fitness instructors with a following. And while their retail space is closed, some are staying involved using online tools. And along come companies like Zoom that enable a single fitness instructor to reach their loyal base. Will a fitness version of what we saw in the hair care sector unfold in fitness? You can bet some will try.

So before you commit to build a lot of units for that next brand in your portfolio, try answering some of these questions, which apply to almost every sector. And know that brand disruptors often don't look like competition... until they become dominant. ■

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