Multi-Unit
Franchisee

Q4 | 2021

2021 DOMINATORS
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MUFC ROCKS IT!
Multi-Unit Franchising Conference sets new records pg. 52

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2020 MVP WINNERS

Best of the best multi-unit franchisees

Written By **EDDY GOLDBERG**

2020, not 2021?! Seriously? Yes, serious as Covid, which forced more than one rescheduling of the 2020 Multi-Unit Franchising Conference (MUFC) from its original April 2020 date—just weeks after the pandemic shut down the world—all the way to August 31, 2021. And what an affair it was, with more then 1,800 registrants eager to get out and reconnect with their multi-unit franchisee peers! (See coverage of the event elsewhere in this issue.)

Each year, winners of our Most Valuable Performer (MVP) Awards are chosen from the many excellent entries submitted on behalf of the best-performing multi-unit franchisees in the business. To qualify, entrants must have at least 5 operating units and have been in a franchise system for at least 2 years.

Winners are traditionally recognized on stage in a ceremony during a general session of the MUFC, but "because Covid," this year was different. Understandably so.

So instead of a live, in-person award ceremony, we offer our heartfelt congratulations to this extraordinary group of MVP Award winners, who exemplify the best in franchising. Read their stories in the following pages.


Bobby's
BURGERS
by Bobby Flay

MEET THE BEATTIES!

2020 MVP Influencer Award for Husband-and-Wife Team

Written By **KERRY PIPES**

Glenn and Tina Beattie are the 2020 Influencer for Husband-and-Wife Team Award MVPs (Most Valuable Performers).

The Beatties have more than three decades of experience with the Denny's brand. Glenn spent his entire career with Denny's, beginning as a restaurant assistant manager and working his way up to vice president of operations for a large franchise group. He would go on to become a franchisee with the brand in 2003. Tina, who was a Denny's restaurant hostess when they met, worked her way up to director of real estate for the same franchise group.

Their company, Top Line Restaurants, is well thought of inside the Denny's system and has been recognized with multiple awards over the years, including the inaugural President's Guiding Principle Award in 2012 and Operator of the Year in 2010. They also have served on numerous committees and councils. Glenn has served as an elected member and secretary of the Denny's Franchisee Association board since 2005. He also serves on the Operations Brand Advisory Council, Training Advisory Council, and is a member of the Grant Advisory Board for Denny's. Tina previously served on the Marketing Brand Advisory Council and the Corporate Social Responsibility Council, and currently serves on the Training Advisory Council and Resource Retention Council.

The Beatties have a clear-cut business philosophy: "Pay as much attention or more to your top-line sales. The bottom line is much easier to manage if your top line is healthy."

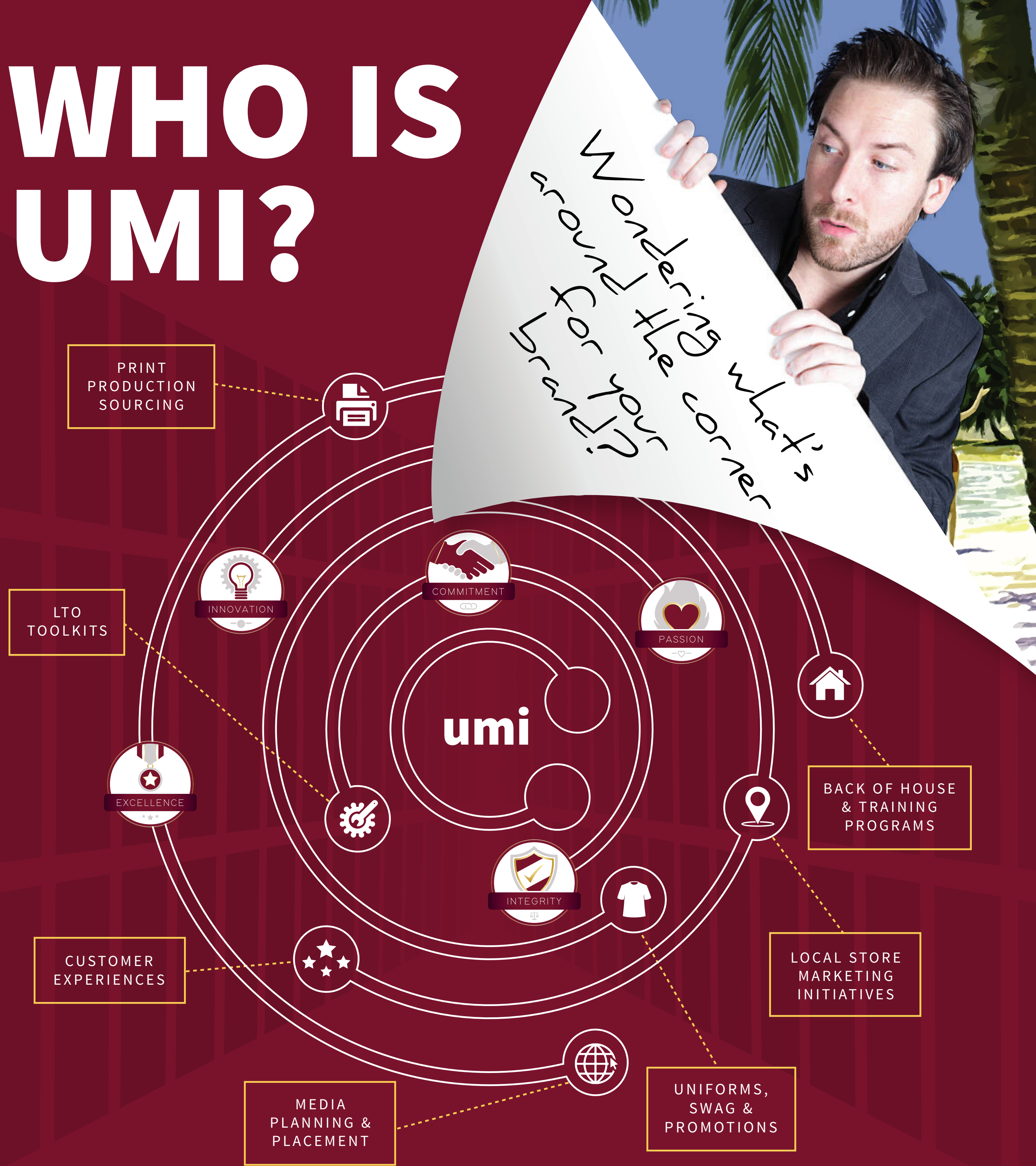
Both say they love their business, take care of their employees and guests, and have one fundamental rule they operate by: "'Be Nice, Say Yes' has been our company motto since we started."

PERSONAL

Formative influences/events: Glenn: Both my parents were entrepreneurs. My dad started a tree business on the side when he was a police officer, and my mom owned her own real estate brokerage. Seeing their hard work and example planted the seed that I wanted to own my own business.

Key accomplishments: Winning the first President's Guiding Principle Award at Denny's. We deeply admire our CEO John Miller, and to have his recognition as leaders in the brand was incredibly meaningful. We also won Large Franchisee of the Year a few years ago. Our team is outstanding, so it was wonderful to see their work acknowledged.

WHO IS UMI?



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GLENN & TINA BEATTIE , 52 & 46

CEO & VP

Company: Top Line Restaurants

Units: 45 Denny's, 3 Bahama Bucks

Family: Son Cameron 23, daughters Addison 12, Keaton 9

Years in franchising: 18

Years in current position: 18

Next big goal: Continue to support and develop our teams on the other side of an insanely hard year.

Hardest lesson learned: When exploring a new brand, even if the food, aesthetic, etc. are great, it's equally important to have a strong corporate partner who understands and honors the franchise model.

Best advice you ever got: Don't be afraid to ask. Throw your idea or need out there. The worst you can get is a no.

What are you reading/favorite business books? Tina: currently reading Steven Pinker's *Enlightenment Now: The Case for Reason, Science, Humanism, and Progress.* Glenn: I am on so many business feeds right now. Technology has made the flow of information so fast, and there are so many great ideas and perspectives out there daily.

What's your passion in business? Tina: We are so fortunate to get to do what we do. Being in the service industry we get to be a part of people's lives daily. Getting to work together makes it even better. Glenn: I love what I do. I always say vacation is work because I don't feel the need to get away from what I do.

MANAGEMENT

Business philosophy: Pay as much attention or more to your top-line sales. The bottom line is much easier to manage if your top line is healthy.

Management method or style: We believe we have smart, capable people working for us. You hire them to do a job and have to trust them to do it. Give them the tools, set them up for success, and don't micromanage them.

Greatest challenge: Finding great talent is always an ongoing challenge, more so today than ever.

How close are you to operations? Obviously, travel has been compromised in the last year, but in a normal year there's nowhere we'd rather be than in the units.

COVID-19

What have been the biggest impacts of Covid-19 on your business? Where to start? It's never been harder to run a restaurant than it is right now, at least through my career. We are still feeling the effects in so many ways: staffing, supply chain, operations. Our teams have really been in the trenches between hiring and supply chain and ever-changing city, state, and federal recommendations.

MVP QUESTIONS

Why do you think you were recognized with this award? As far as husband-and-wife teams go, we really enjoy what we do and doing it together. We hope that comes through and that's why we are being recognized.

How have you raised the bar in your own company? We have one united goal in our company, and that is to strive to be the "best in the brand." We work hard to live up to that goal each and every day.

What innovations have you created and used to build your company? We like to keep it simple. We have one rule: "Be Nice, Say Yes." This has been our company motto since we started. No matter what technology or systems come into play, our main job, top to bottom, is to take care of our guests.

What core values do you think helped you win this award? We do our best to conduct business in the way we'd like people to do business with us. This applies to employees, vendors, and our corporate partners.

How important is community involvement to you and your company? Very. We love supporting our corporate partners' initiatives with No Kid Hungry and St. Jude's, and our company has been a passionate supporter of Cookies for Kids' Cancer for many years. We feel it's our responsibility to give back to the communities that support us locally.

What leadership qualities are most important to you and your team? Openness. Honesty. Directness. We endeavor to have a company where everyone can say what they truly think—and it is incumbent on all of us to listen for the best ideas from the team.

BOTTOM LINE

Annual revenue: $75 million to $80 million.

2022 goals: Stabilize staffing and get all operations up to pre-pandemic hours and sales.

Growth meter: How do you measure your growth? Have your top-line sales grown well enough to do all you need to do to enhance your staff and units and turn a healthy profit.

Vision meter: Where do you want to be in 5 years? 10 years? Continue growing in both our brands.

What are you doing to take care of your employees? Right now, retention bonuses, time off when needed, and managing business flow in a way that doesn't create burnout. Our emphasis is on taking care of the people who have been with us and remained committed through this incredibly challenging time.

What kind of exit strategy do you have in place? We love what we are doing and can't conceive of retirement at this time! ■

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MVP MAURICIO FRACON EDUCATES AMERICA

2020 American Dream Award recipient

Written By **KERRY PIPES**

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MAURICIO AZEVEDO FRACON, 63

CEO

Company: Three Colors Flag; Kiddie Academy

Units: 7 Kiddie Academy units, 6 in development

Family: Spouse, 2 children, 4 grandchildren

Years in franchising: 18 total, starting in Brazil; 7 in the U.S. with Kiddie Academy

Years in current position: 7

Mauricio Fracon is the 2020 American Dream Award MVP (Most Valuable Performer).

For more than 40 years, Fracon has had a passion for improving the lives of children by giving them access to quality education. Beginning in 1978, he was an integral part of opening Three Colors Flag schools throughout Brazil with his ownership team, Grupo Objetivo. Despite the lack of educational support from the Brazilian government, Fracon helped develop more than 80 schools in the country.

It was this franchising success and continued passion for education that inspired him to come to the United States and try to replicate that success with partner Marcos Pereira.

Through their combined experience, and with the help of resources available to entrepreneurs in the U.S., Fracon and Pereira decided to invest in Kiddie Academy because of its reputation as a leader in children's education. To date, they have opened 7 Kiddie Academy locations throughout Florida and have another 6 currently in the site selection process or under construction. The goal is to open 15 Kiddie Academy locations.

PERSONAL

Formative influences/events: I have been a part of teaching and a manager for schools for more than four decades.

Key accomplishments: I have been part of opening more than 100 schools in Brazil and the U.S.

Next big goal: To keep opening Kiddie Academy locations until we reach our goal of 15.

Hardest lesson learned: How to effectively manage schools and understand all the needs of teachers.

Best advice you ever got: You have to be resilient.

What are you reading/favorite business books? *Conscious Capitalism: Liberating the Heroic Spirit of Business* by John Mackey and Raj Sisodia.

What's your passion in business? To make things happen and get things done successfully.

MANAGEMENT

Business philosophy: Having a role through active participation and transparency is very important to me.

Management method or style: To be agile and lean.

Greatest challenge: I have high standards and want my schools to be recognized as educationally excellent and as one of the best places to work in every city we're in.

How close are you to operations? Hands-on, 100% involved in day-to-day operations.

How do you hire and fire, train and retain? I have an HR manager and a training manager who handle this. We fire only if it is impossible make things better.

COVID-19

What have been the biggest impacts of Covid-19 on your business? The schools operated with one-third of the students for several months. It was challenging, but we stayed open and kept working throughout.

MVP QUESTIONS

Why do you think you were recognized with this award? I attribute the award to the hard work of my team, our valued employees, and the wonderful communities where we are located. We do very important work, and to be recognized for this award is an honor. But the greatest honor is the feedback we get from our staff and the parents of children in our care.

How have you raised the bar in your own company? We put a premium on credibility.

What innovations have you created and used to build your company? We have implemented systems and measures for all processes within our company and schools.

What core values do you think helped you win this award? We have a culture of credibility and transparency.

How important is community involvement to you and your company? 100%.

What leadership qualities are most important to you and your team? Time management, strategic thinking, team-building, and emotional intelligence.

BOTTOM LINE

Annual revenue: $9 million.

2022 goals: To open more schools in our efforts to reach 15 locations.

Growth meter: How do you measure your growth? By revenue and the number of employees we have.

Vision meter: Where do you want to be in 5 years? 10 years? To have more schools open and to constantly be improving what we do.

What are you doing to take care of your employees? We treat everyone with respect, we continually train, we honestly value each employee, and do everything we can to provide our employees with opportunities.

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

MVP BRYAN FRNKA SHOWS HOW TO LAUNCH!

2020 Innovation MVP Award recipient

Written By **KERRY PIPES**

BRYAN FRNKA, 45

Managing member

Company: HS Ventures

Units: 11 Amazing Lash Studios, 1 Palm Beach Tan, 1 Scissors & Scotch

Family: Tye Frnka, son

Years in franchising: 19

Years in current position: 19

Bryan Frnka is the 2020 Innovation Award MVP (Most Valuable Performer).

Frnka discovered success in franchising when he converted three tanning studios to Palm Beach Tan locations nearly two decades ago. He did so well he decided to try another brand. He found what he liked with Amazing Lash Studio and opened a location in Austin before taking on the San Antonio and New Braunfels markets. He's since added Amazing Lash Studios in Las Vegas, Reno, and Denver, and is an area developer for Nevada and Oklahoma.

It was when he entered the San Antonio market that Frnka turned to innovation. "Rather than waiting to hire staff just before the studio was ready to open, we hired them as soon as we began construction," he says. He also launched a digital lead-generation campaign more than 2 months before the soft opening. The staff worked the leads and had 1,200 customers ready to be booked on opening day. The result? His first month's revenue was more than four times the average Amazing Lash studio's first 30 days.

Last year, Frnka added Scissors & Scotch to his portfolio, opening his first location in Austin, and says he's not done growing. Always open to new opportunities, Frnka says he's already working on adding Scissors & Scotch locations in the Austin market and perhaps two other Texas markets.

PERSONAL

Key accomplishments: 2017, 2018, 2019 Franchisee of the Year for Amazing Lash Studio; 2019 Trail Blazer for Amazing Lash Studio; 2020 Multi-Unit MVP Award for Innovation.

Biggest current challenge: Recruitment staffing.

Next big goal: Development of San Antonio and Houston for Scissors & Scotch.

Hardest lesson learned: Rapid expansion while undercapitalized.

Favorite business book: *Simple Numbers, Straight Talk, Big Profits!: 4 Keys to Unlock Your Business Potential* by Greg Crabtree and Beverly Blair Harzog.

What's your passion in business? Building teams.

MANAGEMENT

Business philosophy: Hire qualified people and give them the resources they need to be successful.

Management method or style: Coaching, affirmative.

Greatest challenge: Moving too fast.

How close are you to operations? Daily.

How do you train and retain? Training and investment never end.

COVID-19

What are the biggest impacts of Covid-19 on your business? Staffing.

How have you responded? Constant recruitment to counter attrition.

MVP QUESTIONS

Why do you think you were recognized with this award? I believe it was because of my innovative pre-opening (staffing and marketing) techniques. Our pre-launch strategy produced record-breaking top-line revenue and membership sales in the first 90 days, resulting in a much faster path to profitability for franchisees.

How have you raised the bar in your own company? As a company we have surpassed all revenue goals YTD. More important, in my opinion, we are going above and beyond to protect both our customers and guests through these uncertain times.

What innovations have you created and used to build your company? We have created many continued education innovations thanks to Regional Trainer Wendy Coker, which have allowed us to grow the company from the core out. Staying focused on our stylists, who have been with us for years, while furthering their careers with Amazing Lash is a huge part of our success.

What core values do you think helped you win this award? Consistency, commitment, and compassion.

How important is community involvement to you and your company? Community involvement is important to us. We are proud sponsors for Sky High and the quest for ending childhood cancer.

What leadership qualities are most important to you and your team? Integrity and gratitude.

BOTTOM LINE

Annual revenue: $7.2 million.

2022 goals: $9 million.

Growth meter: How do you measure your growth? Top-line revenue.

Vision meter: Where do you want to be in 5 years? 10 years? I'm always open to opportunities. I'm looking at some acquisition opportunities right now with some other brands. I'm planning to add two more Scissors & Scotch locations in the San Antonio market. ■

MVP SHIRIN KANJI BUILDS FOR THE LONG TERM

2020 Mega Growth Leadership Award recipient

Written By **KERRY PIPES**

Shirin Kanji, the 2020 Mega Growth Leadership Award MVP (Most Valuable Performer), is quick to point out that Impact Properties is a family business. "Our goal is to build long-lasting businesses across a diversified portfolio of industries that can leverage our long-standing business operating and franchise model execution capabilities," he says.

Impact recently developed a new Hyatt Place and Conference Center hotel that provides the first professional-grade event space in the Wesley Chapel market of Florida. He's also worked on an AC Hotel (Marriott) as part of downtown Jacksonville's revitalization efforts, along with another hotel development project to build a Marriott Courtyard hotel near the Mayo Clinic. Impact has won the Marriott Design of Excellence Award for hotel development, and been awarded the Key to the City in Tampa for a groundbreaking hotel development project helping to revitalize an urban core.

Kanji, who firmly believes the company's biggest asset is its people, says they are the key determinant in the company's long-term success. That's one reason he's made it a point to offer more flexible work schedules, increasing pay rates and benefits, and incentive compensation packages across the board.

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SHIRIN KANJI, 41

President, CIO

Company: Impact Properties and related subsidiaries

Units: 74 Rent-A-Center, 5 Carstar, 3 BurgerFi, 2 Neighborly service brands, 2 Marriott, 1 Hilton, 1 Hyatt

Family: Swathi (wife), daughters Serena and Reya

Years in franchising: 15+

Years in current position: 6+

PERSONAL

What are you reading/favorite business books? *How To Be Idle: A Loafer's Manifesto* by Tom Hodgkinson was a fun read on how to slow life down and how society's perception of relaxing has changed through the years. *Fascinate: How To Make Your Brand Impossible To Resist* by Sally Hogshead was a refreshing take on the marketing/ad side of business relevant for all brands and services. *The Unbanking of America: How the New Middle Class Survives* by Lisa Servon was an illuminating take on changes in the financial services landscape from the actual customer's perspective.

What's your passion in business? Giving our people the tools and resources they need to succeed in their careers and watching them flourish in that journey.

MANAGEMENT

How close are you to operations? Given the breadth of our portfolio, we have been very mindful of how we structure our support and allocate resources in the company. For us, it's important to allow our field-level management to do what they do best without getting in the way—but also at the same time provide the guidance and support they need as obstacles arise. It's taken some time, but we've gotten into a good rhythm that prioritizes clear and direct communication with a focus on specific key priorities for each respective business unit. Our goal is to chip away at these bite-sized priorities on a weekly and monthly basis before adding anything new to the mix. This enables us to stay close to operations at a granular level and have a true pulse of what is going on in each business… without getting in the way or risking the dreaded "micromanaging" that can occur as businesses scale.

COVID-19

What have been the biggest impacts of Covid-19 on your business? As with all businesses, it has been a very challenging period for us adjusting to the operating impacts from Covid-19 across our portfolio of industries. Ultimately, we have arrived at a service model that takes care of our customers and team members to provide each the utmost safety, while also delivering the convenience and experience each expects. This of course is a fluid situation and will likely change in the months ahead. Our senior management team and field-level leaders have done a great job being adaptable and doing the best given the situation.

MVP QUESTIONS

Why do you think you were recognized with this award? There are many strong multi-unit franchisees out there growing their respective businesses at a high level. It's an honor to receive this recognition among that company. We have been fortunate to have partnered with the right brands for many years now and been able to develop a great team that keeps our customers happy on a daily basis. That's all we can ask for given the circumstances of the past few years.

What core values do you think helped you win this award? Something my father and the other long-standing members have always instilled in me and our entire organization through the years is that we always start with the customer and work our way outward from there. As a business owner and operator, our customer is our team members at the field level. If we can take care of them by providing meaningful careers with upward mobility, regular training and skills development, and great benefits and compensation packages, there is no doubt they will be able to execute the franchise business model at a high level. Once we can get this part right, only then can we really take care of the customers who come into our locations expecting great service each and every day.

How important is community involvement to you and your company? As a family business, we strive to embed ourselves within each community we operate in, as we plan to stay there for the long term. This can range from supporting local charities and community organizations to hosting back-to-school supplies giveaways and fundraisers in our stores. Some of our best community involvement ideas have come from our field-level team members, and we love participating in these events.

BOTTOM LINE

Annual revenue: $100 million.

2022 goals: 10%-plus same store sales increase at the portfolio level.

Growth meter: How do you measure your growth? Same store sales comps and EBITDA growth.

Vision meter: Where do you want to be in 5 years? 10 years? As a family business our vision is always long term. As a result, we strive to partner with the best brands in their respective industries and build out our markets to scale for long-term success.

What are you doing to take care of your employees? In the current environment, we have been aggressive in improving our compensation programs to retain and attract the best for our collection of businesses. This has included offering more-flexible work schedules, increasing pay rates and benefits, and incentive compensation packages across the board.

What kind of exit strategy do you have in place? We are fortunate in that as a family business there is no "exit" in the traditional sense. Our goal is to build long-lasting businesses across a diversified portfolio of industries that can leverage our long-standing business operating and franchise model execution capabilities. ■

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MVP DAWN LAFREEDA DID IT HER WAY

2020 Single-Brand Leadership Award recipient

Written By **KERRY PIPES**

DAWN LAFREEDA, 60

President, CEO

Company: Den-Tex Central

Units: 81 Denny's

Family: Partner of 27 years and 17-year-old twin sons

Years in franchising: 37

Years in current position: 37

Dawn Lafreeda is the 2020 Single-Brand Leadership Award MVP (Most Valuable Performer).

Lafreeda has grown her business to become one of the largest female-operated franchisees in the world. Her path to the top has been filled with unique challenges and bell-ringing successes. She recalls starting out as a waitress with an entrepreneurial spirit, some saved tips, and credit cards. She recalls the day after the 9/11 attacks when her entire business dropped by 30%. Today her company, Den-Tex Central, operates 81 Denny's and employs more than 3,000 people in restaurants in 6 states. Each month, nearly 1.2 million customers dine at her restaurants, generating $100 million in sales each year.

For her entire career, Lafreeda has remained dedicated to one brand: Denny's. "I focus all my energy on making the most of the efficiencies it provides and knowing that my time and attention are not diverted elsewhere," she says. She has operated under a personal philosophy that she would know one brand, know it well, and would succeed.

Because of her success with Denny's, Lafreeda is frequently sought out by other franchisees. She is always eager to talk with them about best practices and her own experience with the brand because she knows it helps ensure the future growth for other franchisees, and more importantly, the longevity of the Denny's brand itself.

Lafreeda, a director and treasurer on the Denny's Franchise Association board, also serves on the Special Events Committee, on Denny's Development Brand Advisory Council, and on the brand's Corporate Social Responsibility Committee. She knows the importance of having a shared voice between the brand and its owners.

PERSONAL

Formative influences/events: 9/11 was a huge event for me. It taught me survival in a whole new way. Sales dropped 30% overnight. I had just bought several restaurants in 1999 and 2000 when the economy was booming and prices were high. When sales dropped, I had to expand my operations into new markets to make money to pay for the stores that were suffering. The strategy worked and I found new and greater success.

Key accomplishments: Always believing that anything is possible. I was a waitress who started a business off tips and credit cards and became the largest female, full-service restaurant franchisee in the country. With more than 37 years in the business, we have survived some very difficult times: 9/11, the financial crisis, and now the pandemic. Expanding my operations into multiple states. Bringing some amazing people into my organization who have stood by me for more than 20 years. Balancing my family and my business.

Next big goal: It took me 37 years to open and operate more than 110 restaurants. My next big goal is to share what I have learned with my twin sons and other young up-and-coming franchisees.

Hardest lesson learned: My hardest lesson also turned out to be a gift. Many years ago, I had a 50% partner and it was very stifling and limiting. Once I bought that person out, I was able to build the business the way I wanted, the size I wanted, and without the limitations. It was a very expensive and agonizing process at the time, but once out of it I thrived and learned you can never ever have a 50% partner or you are at a stalemate. It is important to own 51%.

Best advice you ever got: From my mom when I was buying my first restaurant at age 23 and was worried about failing. She said, "What's the worst thing that can happen? You start over at 26." I took the ball, ran with it, and never looked back. I still use that advice today when I am faced with conflicts. "What's the worst thing that can happen?" It's been a great tool and I have a passed the same advice on to my children.

What are you reading/favorite business books? My best friend, actress Sharon Gless, just wrote a wonderful memoir called *Apparently There Were Complaints* and I am loving reading every moment of her wonderful life and career. I have 2 favorite business books that I find I refer to and reread frequently: *The Success Principles* by Jack Canfield and *Outliers* by Malcom Gladwell. They both offer tools and inspiration.

What's your passion in business? Collecting restaurants. I love the art of the deal and making it all happen from start to finish. I get a thrill knowing I have created jobs and get to feed people, which I love!

MANAGEMENT

Business philosophy: I never take shortcuts and always try to do the right thing. Be fair and honest and put your intentions out there so that others know what you want, need, and expect. I believe in transparency and sharing thoughts and ideas.

Management method or style: I believe in fairness, and I do what I say I am going to do. I am very organized, aggressive, and do not procrastinate. I am only as successful as my staff and try to surround myself with a team that has the same values.

Greatest challenge: While Covid has presented many challenges in the past 18 months, the single greatest challenge in my career is trying to find and retain the right staff. We are in a time when there are staffing issues in every single location. In the past, it may have been a store or a market. In 2021, it is every store in every city we do business in. The pressure on the team is huge. Recruiting and retaining quality staff is by far the biggest challenge I am faced with.

How close are you to operations? Close. I have wonderful leaders who oversee the restaurants and the administrative aspects, but we work as a team to ensure that we make the best decisions for the restaurants and the company. I touch every part of the business and am involved in all aspects.

How do you hire and fire, train and retain? This is the single biggest challenge we face today. The industry has a huge shortage of employees, so our big focus has been on ways to hire and we are doing everything in our power to find people. We use recruiting firms, digital ads, job fairs, scan code applications, employee recruiting incentives, etc. Once we hire, the next challenge is retaining our staff. Most businesses in our industry are struggling in the same way, and we must come up with ways to keep our staff. Sometimes the small things go a long way. Managers who understand that are successful, while those who do not struggle and need assistance.

COVID-19

What have been the biggest impacts of Covid-19 on your business? There are so many, but I think the biggest has been the uncertainty and inconsistency from city to city by our government officials. We were not able to make our own business decisions. We had very little notice when to shut down—and were told it would be for 14 days, which as we all know turned to months. We lost most of our inventory and we lost our trained employees. Once we finally got open, we were told when to open, when to close, how many people could come in, how close they could be, etc. If someone tested positive, we were shut down again. It is very difficult to run a business with the rules changing daily.

This has also been a very un-level playing field as to what was defined as essential or non-essential, who got to stay open and who had to close. Some got to thrive, like grocery stores, Walmart, Home Depot, and drive-thru restaurants, while sit-down restaurants had to close dining rooms. Some cities didn't even allow outdoor dining. Small operators got more financial help from government, but it didn't mean large operators didn't have all the same problems—only multiplied. We had to make some hard decisions and closed several locations to protect the overall health of the others. When you have a lease that is up for renewal for another 10 years and have no idea when you are reopening, you must make a difficult decision.

MVP QUESTIONS

Why do you think you were recognized with this award? For my entire career, I have stayed true to one brand, Denny's. I focus all my energy on making the most of the efficiencies it provides and knowing that my time and attention are not diverted elsewhere. My personal philosophy was: know one brand, know it well, and you will succeed. I was a girl who was a waitress when Denny's gave me an opportunity. And I was happy, so I built, and I built, and I built.

How have you raised the bar in your own company? I believe that starting as a hostess at Denny's when I was 16 and doing what I do, especially since there are very few women who do it, raised the bar and gave people hope that, "If Dawn could do it, so can I." I have worked hard and paid my dues and have reaped the rewards. I think others have learned it is not easy, but if they have the drive and determination, they can do it too.

What innovations have you created and used to build your company? I am not sure I would call them innovations, but I definitely had strategies about how I was going to build my company. I was careful about how much debt I took on with a new store and would do a mix of new builds, turnkeys, and conversions so I could build cash flow. I stuck to labor-friendly markets. I always used multiple lenders and never let any lender structure a loan that required putting a blanket UCC on my company. I negotiated some very good lease terms and paid close attention to loan terms, covenants, and requirements.

What core values do you think helped you win this award? Reliability, loyalty, passion, and commitment.

How important is community involvement to you and your company? Very important. We are always engaged and believe it is important to contribute and give back. We always have something we are doing, and we have built many relationships and partnerships in our community.

What leadership qualities are most important to you and your team? In this industry, experience is important. Dedication, hard work, honesty, and a philosophy that I respect are a must. I like leaders who challenge me, who have done their homework, and who bring new ideas.

BOTTOM LINE

Annual revenue: $100 million.

2022 goals: To be able to resume business like we did before Covid. Get our restaurants fully staffed and open 24 hours. Get back to running our restaurants instead of having to focus on surviving Covid and the constantly changing rules.

Growth meter: How do you measure your growth? I measure it by EBITDA and opportunities that will make our company stronger. I also measure it by how prepared and ready we are to grow through the infrastructure we have in place.

Vision meter: Where do you want to be in 5 years? 10 years? I'd like to be working less knowing my business is in good hands. I'd like to be involved on a limited basis and spend my time mentoring and consulting.

What are you doing to take care of your employees? We have a nice benefit package, but since Covid the name of the game has been flexibility. We must be sympathetic to the issues our employees are dealing with. Do they live with a compromised person? Are they vaccinated? Do they have kids who cannot go to school, inhibiting their ability to work a typical shift or schedule? Everyone has been affected by the challenges of Covid. We must be open to adjusting to their needs so they feel safe, happy, and motivated.

What kind of exit strategy do you have in place? While I don't have a firm plan in place, I do think about it often. With every location, loan, or deal I do, I take that into account—making sure that when I step down, everything is in good order and that there is nothing that can prohibit it when that time comes. I pay very close attention to the team that is in place, leases, loans, loan lockouts, agreement terms, etc. ■

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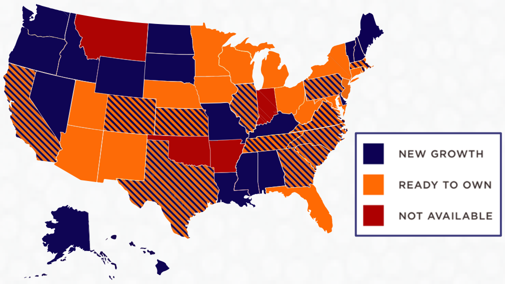

MVP BARRETT MCNABB PLAYS BY THE BOOK

2020 Veteran Entrepreneurship Award recipient

Written By **KERRY PIPES**

Barrett McNabb is the 2020 Veteran Entrepreneurship Award MVP (Most Valuable Performer).

You might say McNabb has always had America's back: first as a U.S. Army Officer (Major, Ret.) protecting our country, and now as a multi-brand franchisee with The Joint Chiropractic and Modern Acupuncture clinics helping to change patients' lives.

Before franchising, McNabb had a decorated military career where he served as a paratrooper in the 82nd Airborne Division and took part in the initial invasion of Iraq in 2003. He was an embedded military advisor in Afghanistan in 2006, and then the top military analyst in the Middle East.

McNabb first discovered The Joint Chiropractic after his wife was in an automobile accident that required ongoing chiropractic treatment. He says they were "blown away by the simplicity of the model, from its affordable pricing to the flexibility it offered with no appointments." So when he retired from the military in 2015, he knew what he wanted to do next as a civilian living in Houston.

As an entrepreneur, Barrett leans on his military experience to run an effective business. He says the lessons he learned as a U.S. Army officer align well with the businesses he has chosen. In 2016, when The Joint wanted to develop a military appreciation program, Barrett was instrumental in bringing that to life. His extensive military background played an integral role in tailoring the program and messaging to be geared toward veterans and active military members. When Hurricane Harvey devastated Houston, Barrett pushed The Joint Chiropractic to extend the military discount to first responders and the National Guard, offering unlimited chiropractic care for a four-week period in the hurricane's aftermath. His work with the Military Appreciation Program earned him the brand's Franchisee of the Year Award in 2017 and Regional Developer of the Year in 2018.

McNabb embodies the Army values of loyalty, duty, respect, selfless service, honor, integrity, and personal courage. From the battlefield to the clinic, he is an inspiration to all who cross his path, and a testament to one person's ability to make a positive impact in the world.

PERSONAL

Formative influences/events: My mother, Barbot McNabb, taught me the value of having a strong work ethic. And the U.S. Army taught me how to lead and how to conduct predictive analysis along with resource management.

Key accomplishments: The Joint Chiropractic Franchisee of the Year 2017, Regional Developer of the Year 2018, National Franchise License Sales award 2018 and 2020.

Next big goal: To create multiple manufacturing businesses focusing on new technologies while using my franchising business as cash flow funding.

Hardest lesson learned: No plan survives first contact with the enemy.

Best advice you ever got: Care more about your soldiers than you care about yourself and they will follow you to hell and back… twice. The same principles apply to your employees.

What are you reading/favorite business books? *The Ascent of Money: A Financial History of the World* by Niall Ferguson. *A Message to Garcia* by Elbert Hubbard, *Start with Why: How Great Leaders Inspire Everyone To Take Action* by Simon Sinek, and *Selling with Noble Purpose: How To Create a Tribe of True Believers* by Lisa Earle McLeod.

What's your passion in business? Helping people. It is absolutely amazing when I see someone get out of their vehicle limping—and after their chiropractic adjustment they do a rendition of "Singing in the Rain" back to their car. Eighty percent of the time it is immediate effects, which is very satisfying!

MANAGEMENT

Business philosophy: To improve the quality of life through routine and affordable chiropractic care. Taking pride in initiative and character by doing the right thing, even when no one else is around.

Management method or style: To lead by example, be technically competent, and empathetic to the needs of my employees. I use precise actions and precise words… precisely… to convey my intent.

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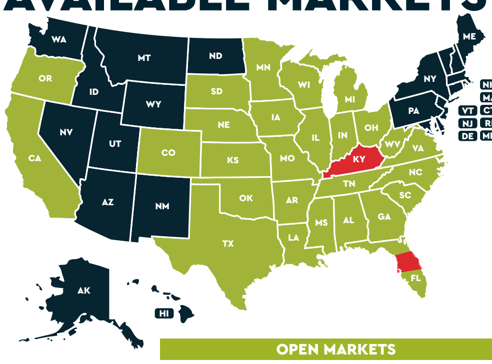

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BARRETT MCNABB, 46

CEO

Company: Consolidated Wellness Management Group

Units: 4 The Joint Chiropractic (3 more in construction) and 2 Modern Acupuncture clinics

Family: Wife Kimberly McNabb, 37; son Cade McNabb, 4; daughter Scarlett McNabb, 2

Years in franchising: 5

Years in current position: 5

Greatest challenge: I purchased two existing clinic locations and built out four, but the two I purchased had a massive culture deficit. Morale was low and the employees were unsure of themselves. I re-engaged previous rock star employees and enticed them to come back, and I met with every employee and asked for the good, bad, and ugly while prompting them for how to improve the business. Seeing their suggestions being implemented led to a positive outcome, giving them a feeling of ownership. Within 6 months, I increased the valuation of the two existing locations by $400,000.

How close are you to operations? Extremely close, as I see that having granular vision is of utmost importance—as is the 50,000-foot view for strategic marketing. You must do both.

How do you hire and fire, train and retain? I retain employees by being the preferred employer of choice, offering competitive salaries, health and retirement benefits, and a favorable work/life balance. I hire with a telephone interview followed by a live interview focused on favorable character attributes and empathy for our patients, as well as the ability to grasp simple concepts focused on sales. I terminate through a multi-step counseling process to identify opportunities for improvement through coaching documents. Anything that is unethical, immoral, or illegal is an immediate termination with multiple management present during the action.

COVID-19

What have been the biggest impacts of Covid-19 on your business? We had some membership cancellations and had a dip in revenue, but The Joint Chiropractic did not have to close in Texas. The governor declared chiropractic care an essential medical service, which allowed us to maintain and even grow sales during the period.

MVP QUESTIONS

Why do you think you were recognized with this award? This was a really difficult question to answer. I think it's my ability to directly translate my military training into business skills, coupled with my desire to lift everyone up—employees, customers, and the business. However, as veterans, we all won by serving our country and transitioning our leadership and knowledge into the business world.

How have you raised the bar in your own company? I've created a corporate culture of collaboration and pride in the organization. I accept nothing less than the standard, and I reward excellence.

What innovations have you created and used to build your company? We have designed an intranet for our organization, creating a hub for revenue, key performance metrics, maintenance issues, and HR issue monitoring and reporting. This allows employees to report issues with other co-workers, issues with repairs within the clinic, supply status, and individual clinic performance and created a one-stop shop for management, creating a high level of situational awareness.

What core values do you think helped you win this award? The same seven core values I learned in the U.S. Army: loyalty, duty, respect, selfless service, honor, integrity, and personal courage (LDRSHIP).

How important is community involvement to you and your company? Community involvement is the bedrock of our organization. Veterans of Foreign Wars, American Legion, local youth teams, local restaurants, golf courses, tragic events affecting individual persons—we invest in all of them.

What leadership qualities are most important to you and your organization? Integrity, initiative, and investment. Do the right thing, always. Never wait to be told what to do. Own everything that you do (the successes and the opportunities).

BOTTOM LINE

Annual revenue: $2.4 million across all brands with a 30% EBITDA.

2022 goals: $3.5 million across all brands.

Growth meter: How do you measure your growth? The three KPIs I really dial down on are 1) new patients (customers) counts, 2) conversions of patients into recurring memberships, and 3) reducing attrition of existing patients. The business has enjoyed double-digit YOY comp growth for the past 5 years.

Vision meter: Where do you want to be in 5 years? 10 years? I've been leveraging my profits from my franchising businesses into additional start-up businesses that focus on product design and additive manufacturing (3D printing in metal). I think additive manufacturing is the future; one can engineer and produce intricate designs that traditional CNC machines can't do.

What are you doing to take care of your employees? Even as a fairly small business with under 50 employees, I make sure to provide as many benefits as I can: 401(k) with matching funds, health care along with dental and vision, continuing education support, paid time off, and I am adding a student loan repayment program—everything to recruit and retain top talent.

What kind of exit strategy do you have in place? It is definitely conditions-based and not time-based. I think realistically, an 8x annual EBITDA offer would get the conversation started. ■

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– Eric Danver, Multi-Unit Franchisee

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MVP CHRIS OLEXA INSPIRES SUCCESS

2020 Spirit of Franchising Award recipient

Written By **KERRY PIPES**

Chris Olexa is the 2020 Spirit of Franchising Award MVP (Most Valuable Performer).

He grew up knowing what it was like to live in hard times. Raised in Beaumont, Texas, he and his mother struggled to get by on food stamps and whatever he could earn at jobs while still attending school. This early hard-knock existence would set him up for success later in life.

Olexa had always dreamed of owning his own business. When the time came he opened a Quiznos, and then a second. Later, the opportunity arose to purchase a Buffalo Wild Wings (BWW), so he sold his Quiznos locations and made the transition to a sports bar concept. By 2008, he had opened three more BWWs and was on his way to achieving his goals when tragedy struck. His life was upended by a cancer diagnosis, followed by two consecutive hurricanes that forced all four of his sports bars to close.

He fought the cancer, regained his health, and worked harder than ever to reopen his four BWW locations. He's since added four more and acquired his first Rusty Taco.

CHRIS OLEXA, 48

CEO, Founder

Company: Aspire2B

Units: 9 Buffalo Wild Wings, 3 Arby's, 1 Rusty Taco, 1 Mellow Mushroom

Family: Wife Kimberly Olexa of 25 years, children Brenden Olexa 20, Keith Olexa 18, Clara Olexa 15, Chapel Olexa 7

Years in franchising: 23

Years in current position: 23

In 2018, when Inspire Brands was founded, Olexa signed on to develop three new Arby's, pioneering the cross-brand franchising opportunities within the Inspire platform. Today he is a franchise advisory council member for both BWW and Rusty Taco.

He continues to build his business and has never lost sight of where he came from, what he's gone through, and what he aspires to build for himself and his family.

PERSONAL

Formative influences/events: I did not have the ideal life as a child. However, I was determined to not let my circumstances define my outcome as an adult. I wanted to change my destiny and knew it would take hard work, but I stayed the course. I viewed obstacles as only challenges and did not allow them to cloud my focus.

Key accomplishments: All of the above, after begging a bank to finance our first project.

Next big goal: Who knows, it's always changing.

Hardest lesson learned: Never fall in love with a site!

Best advice you ever got: Be the bull in the room, but stay humble.

What's your passion in business? Aspire others to "Aspire2B" more today than yesterday.

MANAGEMENT

Business philosophy: Stay focused on hospitality and making sure that every rock is in its place. We must be present in our stores, connecting and being transparent with our teams and guests.

Management method or style. I feel my management style is more that of a visionary. Being a little more of a risk-taker and staying optimistic helps keep our team focused on our goals.

Greatest challenge: Finding great leaders who truly understand that our guests are the most important thing in our business. Hospitality is a forgotten art!

How close are you to operations? That's all I know (LOL). Yes, my favorite things are working in the stores with our team members and seeing how our guests react to operations. It's very important that if we ask our team members to do something, they see our leadership team do it too. While in the stores we also get some great feedback on what we are winning at and what needs some improvements.

COVID-19

What have been the biggest impacts of Covid-19 on your business? Staffing and controlling the increasing cost to do business.

MVP QUESTIONS

Why do you think you were recognized with this award? I would think it's because of our teams' hard work and staying focused on growth and success managing multiple Inspire Brands concepts.

How have you raised the bar in your own company? By challenging our teams to be best in class! And by keeping hospitality in the forefront of our minds.

What innovations have you created and used to build your company? Embrace uncertainty—especially during the pandemic. Coming up with unique ways to serve our guests through the obstacles handed down to us. Innovation doesn't always have to be big and adventurous. Setting small goals and achieving them is sometimes a more powerful way to make a better impact. Innovation is a creative process, and we have a perfect canvas within our restaurants to capture ideas that build value in our brands.

What core values do you think helped you win this award? Being the bull in the room and staying focused on growth and operational excellence. Open-mindedness, optimistic positivity, and being reliable, honest, dependable, and consistent.

How important is community involvement to you and your company? Being involved in our community is so important. It promotes goodwill and helps us stay connected to our guests and the community.

What leadership qualities are most important to you and your company? It seems I lean toward someone who is self-managing, accountable, and responsible. Most of all, I value team-building and promoting teamwork.

BOTTOM LINE

Annual revenue: $30 million.

2022 goals: Open four new locations while embracing the new BWW Go concept.

Growth meter: How do you measure your growth? Units opened, top-line sales, and bottom-line profits.

Vision meter: Where do you want to be in 5 years? 10 years? After Covid surprised us all it's hard to focus that far out. So I try to plan more like 2 years out. But I would like to continue my vision of our partnership with Inspire Brands and grow under their proven successful leadership.

What are you doing to take care of your employees? Staying competitive with pay and opportunity with growth. We always try to go back to my main motivator and always "Apire2B" more.

What kind of exit strategy do you have in place? I don't have one. Still having too much fun. ■

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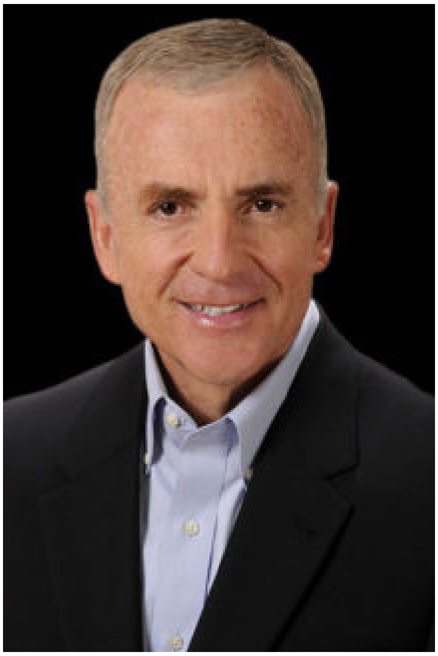
MVP ROLAND SPONGBERG GIVES BACK, BIG-TIME!

2020 Noble Cause Award recipient

Written By **KERRY PIPES**



ROLAND SPONGBERG, 69

Founder, CEO

Company: WKS Restaurant Group

Units: Denny's (126), Wendy's (86), El Pollo Loco (69), Krispy Kreme (40), Blaze Pizza (10)

Family: Married 46 years to my incredible wife Sandee; 6 children and 16 grandchildren

Years in franchising: 34

Years in current position: 34

Roland Spongberg, the 2020 Noble Cause Award MVP (Most Valuable Performer), has a long list of accomplishments.

His WKS Restaurant Group in Cypress, California, employs more than 10,000 people spread across more than 300 locations, most located in the U.S. West. He is the largest franchisee in the El Pollo Loco and Krispy Kreme systems. His company is also the largest Wendy's franchisee in California. In July, Spongberg was named an Orange County Entrepreneur of the Year by Ernst & Young. But it's his generosity that singled him out for the Noble Cause MVP Award.

WKS is committed to service and giving back to those in need, donating more than $158,000 annually, and has raised more than $3.2 million to date through fundraising to support more than 5,000 nonprofit organizations nationwide. His company also supports numerous local charitable initiatives including The Dave Thomas Foundation; (RED); the National Breast Cancer Foundation; The Salvation Army; No Kid Hungry; and United Way.

A few notable causes Spongberg was involved with recently helped to make him the recipient of this year's award: WKS raised more than $28,000 to benefit three young girls who survived a violent attack that left three people dead; completed 30 different restoration projects at the historic Theodore Roosevelt High School in Los Angeles; raised nearly $10,000 in just 6 hours for the victims of a shooting; and raised $16,000 for the family of a local fallen police officer.

With a track record like this (and we've only scratched the surface), it's easy to see why Spongberg was selected as the 2020 Noble Cause MVP.

PERSONAL

Formative influences/events: I served a 2-year mission for the Church of Jesus Christ of Latter-day Saints (1972–1974). The mission taught me discipline, much about people, service, and love and faith in God.

Hardest lesson learned: Debt is a double-edged sword. It can be instrumental in growing a business and it can prove disastrous if you let it get you over your ski tips.

Favorite business books? *Good to Great: Why Some Companies Make the Leap... and Others Don't* by Jim Collins.

MANAGEMENT

Management method or style: Collaborative. First, hire great people and then work with your team to make the big decisions.

Greatest challenge: Currently, staffing our restaurants.

COVID-19

What have been the biggest impacts of Covid-19 on your business? The type or design of our restaurants proved to have the biggest impact on navigating successfully through the pandemic. Restaurants without a drive-thru had crushing sales decreases, while those with a drive-thru drove significant sales increases.

MVP QUESTIONS

What innovations have you created and used to build your company? One of the things that makes WKS unique is that we have a software team who have built accounting and reporting applications, human resources workflow applications, and we specialize in integrating all the systems we use together to help us efficiently scale.

How important is community involvement to you and your company? We enjoy engaging in community events and helping where needed, be it by fundraising for local charities, feeding firefighters during a fire event, or contributing a day's worth of sales to a family struggling through a tragic event.

What leadership qualities are most important to you and your team? Teamwork, integrity, loyalty, service, and winning. These are our values and we live and run our business by them.

BOTTOM LINE

Growth meter: How do you measure your growth? Two ways: same store sales compared with last year, and total number of restaurants.

Vision meter: Where do you want to be in 5 years? 10 years? We work each year on a list of strategic priorities to help run better and more efficient restaurants. We don't have a specific plan as to where we want to be. We typically build 6 to 8 new restaurants a year and look for acquisition opportunities as they come along.

What are you doing to take care of your employees? When I had six restaurants, I said to myself, I need to get out of the restaurant business and into the people business. I had learned that it is the people who will drive and improve the restaurants. I believe our mission statement sums it up: "We win by making our guest happy and our people more successful than they ever thought possible. We help good people learn to lead, serve, and make a difference."

What kind of exit strategy do you have in place? I have spent the last 4 years developing a framework to allow this family business to endure to the second, third, and fourth generations. ■

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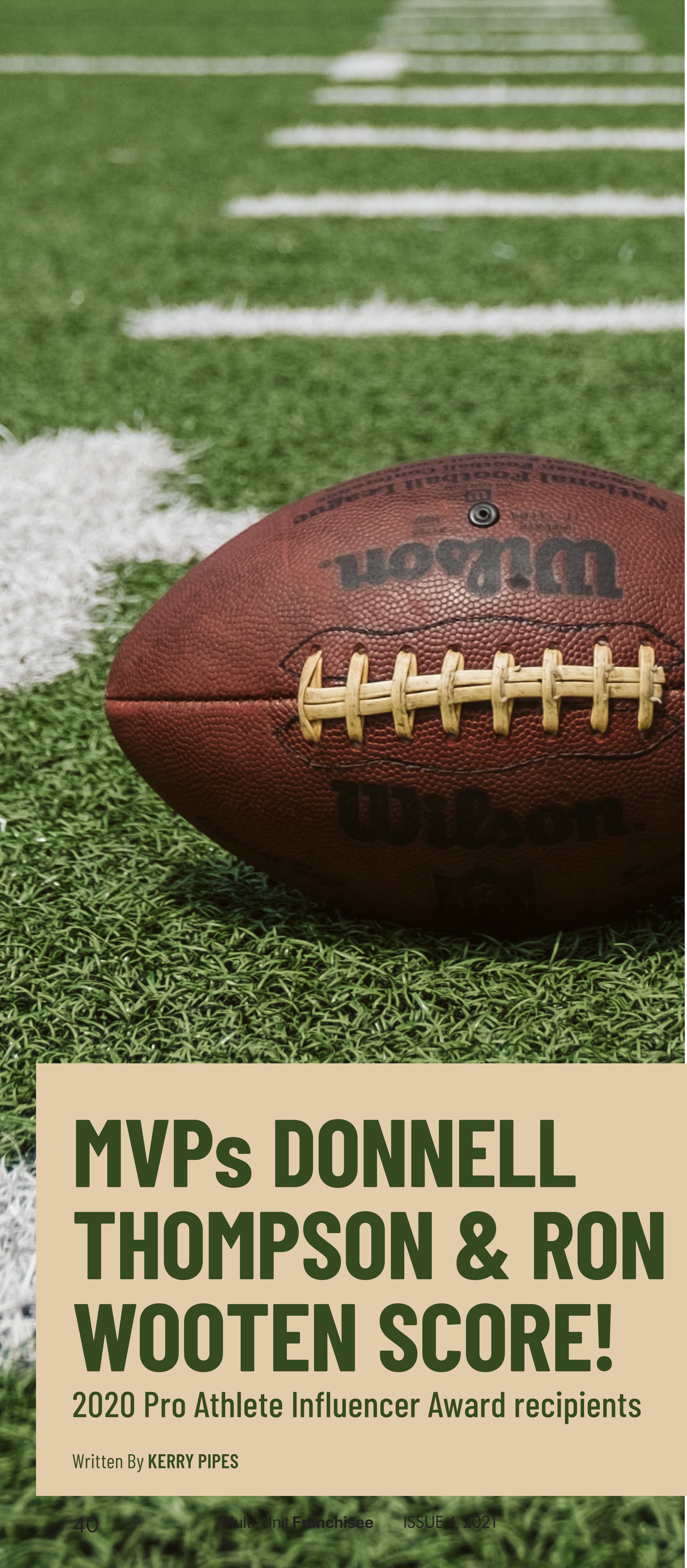

MVPs DONNELL THOMPSON & RON WOOTEN SCORE!

2020 Pro Athlete Influencer Award recipients

Written By **KERRY PIPES**

Donnell Thompson and Ron Wooten are the 2020 Pro Athlete Influencer Award MVPs (Most Valuable Performers).

Thompson and Wooten are childhood friends who went on to play football together at the University of North Carolina and later played in the NFL—Thompson for 11 seasons with the Indianapolis Colts and Wooten for 7 seasons with the New England Patriots.

After retiring from football, both turned to franchising and have owned and operated franchises for Choice Hotels International, Zaxby's, Denny's, McDonald's, Del Taco, and Checkers & Rally's. Today, Thompson is president of Checkerboard Foods, which operates Denny's and Checkers & Rally's locations in Atlanta, Birmingham, Alabama, and Pensacola, Florida.

The sports influence is present throughout their business, with coaching and teamwork as hallmarks of their operation. Thompson says they strive to run successful businesses and to have a positive impact on the communities they operate in by taking care of their employees and serving their customers and local residents. They have been involved in several sponsorships and promotions in Birmingham, providing donations, meals for traveling sports teams, and offering GPA incentives. Last year, their Checkers locations in Birmingham offered free lunches to public school kids while the schools were closed because of Covid.

Thompson says he loves being in franchising and likens himself to being "nothing more than a head coach," putting the right people in the right places on the road to success. As his coaches always told him, "If you can be coached, you can succeed."

PERSONAL

Formative influences/events: Sports. Playing any kind of sports—football for me. It builds structure, team, and discipline. If you can be coached, you can succeed. That's what my coaches told me, and it's the same for our business.

Key accomplishments: My relationships with my longtime friends from the University of North Carolina. We've all gone through life and stayed close as we've grown through our lives. I've had these friendships for 35 to 40 years.

Next big goal: Growth. We're looking to grow in the Atlanta market by purchasing some other stores. And we are close to purchasing some stores in the Pensacola

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*Based on the Average Unit Volume of the top 50% of our Franchised Stores for fiscal year 2020. Based on fiscal year 2020, 142 of 369 Franchised Stores in the category (38%) met or exceeded this average. This information appears in Item 19 of our 2021 FDD – please refer to our FDD for complete information on financial performance. Your results may differ. There is no assurance that you will do as well. This ad is for informational purposes only and not an offer to sell a franchise. Contact Marco's Franchising, LLC PO Box 23210, Toledo, Ohio 43623 for a copy of our Franchise Disclosure Document. We will not offer or sell you a franchise until we have complied with all applicable regulatory requirements. This offering is made by prospectus only.

DONNELL THOMPSON

(PARTNER RON WOOTEN),

61

President

Company: Checkerboard Foods

Units: 12 Checkers & Rally's, 2 Denny's

Family: Wife and 4 grown children

Years in franchising: 29

Years in current position: 8 with Denny's, 3 with Checkers

market. Right now is a great opportunity to buy locations.

Hardest lesson learned: You can learn from failures. You can't be afraid to pull the trigger. Just like in sports, you can't sack the QB if you're afraid to be offsides. You have to study the business and know when to pull the trigger. Sometimes you are right, and sometimes you are wrong. Celebrate the successes and work to overcome the shortcomings.

Best advice you ever got: As a young kid I had a mentor, Robert Osterneck, an early coach. He told me to be on time, always know what you're doing, study, and have fun and enjoy what you do.

What are you reading/favorite business books? I study the market a lot, looking at which way things are going and talking to people in the business. Know the players, know the market.

What's your passion in business? Development. I love being able to take a piece of raw land and turn it into great value. From there you develop the people to run the businesses.

MANAGEMENT

Business philosophy: Hands-on. I'm involved in all areas, but I don't get in the way. I make sure we are following the correct procedures. Also, knowing when it's time to make a change. If your QB throws two interceptions in the first half, it may be time to put somebody else in for the second half.

Management method or style: Setting the standard. Getting people in the right places and letting them be successful. It's important for me to get out of the way and let them succeed.

Greatest challenge: Staffing—trying to attract good people to replace those we lost during the Covid pandemic. We are down in sales because we are down in adequate staffing and are trying to get that back.

How close are you to operations? Very close. Hands-on. We are still small enough for me to do that.

How do you hire and fire, train and retain? We are still a small business so I am involved in this. We use what others use—Indeed, TalentReach, and word-of-mouth (and give bonuses to employees for this). We try to retain the good people we have by giving them decent pay and treating them right.

COVID-19

What have been the biggest impacts of Covid-19 on your business? Staffing and sales are down. The government essentially paying people not to work really hurt us. We're hoping that this ends and we get back to people wanting to come to work.

MVP QUESTIONS

Why do you think you were recognized with this award? I can't really say. I just get up and work hard every day. We try to be involved in the communities where we operate. I'm honored to receive this award.

How have you raised the bar in your own company? I'm hands-on and stay close to our management team. I'm a straight shooter with everybody. Let's do it right, or let's fix it so it is right. When I was playing football, if a meeting was scheduled for 3:00 and you showed up at 3:00, you were late. I try to use that approach for our business. Whatever the standard is, we try to exceed it.

What core values do you think helped you win this award? We try to run a good business, treat our team members well, follow the procedures, and be active within our communities.

How important is community involvement to you and your company? During Covid, in our Birmingham market, we offered free lunches to the kids while the schools were closed. These are the kinds of things that are just good to do. We are fortunate enough to be able to give back to the community. We will continue to do this.

What leadership qualities are most important to you and your team? Be coachable, follow the game plan. I'm really nothing more than the head coach, placing the right people in the right positions. Be willing to do whatever needs to be done for the business to be successful.

BOTTOM LINE

Annual revenue: $13 million to $14 million.

2022 goals: More growth. We look at every deal that comes across the desk. If someone calls us and has stores to sell, we will look at that deal.

Growth meter: How do you measure your growth? We use same store sales numbers. We can take that to the bank. Foot traffic is great but we can't take increased traffic to the bank. If something is down, we look at how we can control the controllables to fix it.

Vision meter: Where do you want to be in 5 years? 10 years? I think we can have 50 units in the next 5 years. I'm bullish on the Checkers brand. The model works. It's as good a concept as I've ever been in. The Checkers brand leadership is great to work with.

What are you doing to take care of your employees? We are small enough that we can help our employees on an individual basis. If someone has a flat tire and can't get to work, we'll buy them a tire. We've given loans to employees in need of housing. It's important to take care of our team members.

What kind of exit strategy do you have in place? I really don't. I still have a lot of good years left and I enjoy franchising. I'll probably be in this business until my wife rolls me to the funeral home. ■

MVP ANIL YADAV BEGAN AS A FRY COOK

Multi-Brand Leadership Award recipient

Written By **KERRY PIPES**

Anil Yadav is the 2020 Multi-Brand Leadership Award MVP (Most Valuable Performer).

Yadav came to the U.S. in 1982 when he was just 17 and looking for a better way of life. He went from being a fry cook at Jack in the Box in 1984 to restaurant manager, and is now the largest Jack in the Box franchisee in the U.S. His holdings consist of 8 food brands and a number of hotels spread across 15 states. He's also a partner at TriArtisan Capital Advisors, a New York–based private equity firm that owns TGI Fridays, one of his brands. In recent years, Yadav has gone beyond f ranchising, purchasing two resort properties in California.

After three decades of multi-unit franchising, Yadav says the secrets to his success are mastering real estate, raising the customer service bar, and taking care of his employees.

PERSONAL

Formative influences/events: I was very fortunate to have parents who were very loving and supportive. At a very young age, I was taught that it is important to stand by your word; honor and integrity are important. Say what you mean and do what you say.

Next big goal: I found the recent acquisition of Taco Cabana—my first shot at being the franchisor—to be an invigorating and exhilarating experience. Being a franchisor of a brand was on my mind for a while, and I am very excited for this to happen. I'll need to focus on maximizing the opportunity on my current portfolio.

Hardest lesson learned: Most recently, the Covid-19 pandemic. It made us realize how fragile life is and that we have to appreciate our family and friends more and live each moment to the fullest. The pandemic also taught us how the business environment can change quickly. It definitely brought the mindset back to the basics of being involved and learning to do more with less.

Best advice you ever got: Diamond Rule: "You treat others as they wish you to treat them." Be humble, but don't let your guard down in business.

What are you reading/favorite business books? I don't read a lot of books, but I read news, magazines, and papers.

What's your passion in business? Work hard, play harder, and try to do better today than yesterday. I love the industry and the people I work with.

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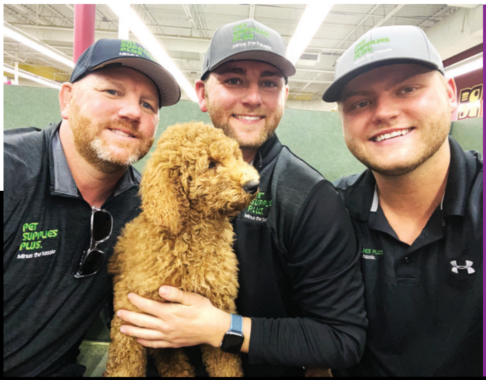

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*This information can be found in Item 19 of the 2021 Franchise Disclosure Document issued by PSP Franchising, LLC. The data reflects the calendar year beginning January 1, 2020, and ending December 31, 2020, and shows the data for 220 Reporting Franchised Stores which were open and operating for 12 months as December 31, 2020. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well. This is not an offer to sell you a franchise. Franchises are offered by prospectus only.

** Pet Industry Market Size, Trends & Ownership Statistics (americanpetproducts.org)

ANIL YADAV, 57

President, CEO

Company: Yadav Enterprises

Units: Jack in the Box, 214; Taco Cabana (franchisor), 144; Denny's, 75; TGI Fridays, 75; El Pollo Loco, 6; Sizzler, 4; Marco's Pizza, 3; Corner Bakery Cafe, 3; plus a few resorts and hotels

Family: Wife, 3 kids (2 boys, 1 girl)

Years in franchising: 37

Years in current position: 32

MANAGEMENT

Business philosophy: We strive to be the most admired franchise operator for each brand we represent. We value food made with the freshest, highest-quality ingredients, served fast in a clean and friendly environment. To me, "Food may be the language, but customers are the lifeline." Do the right thing consistently and things will fall into place.

Management method or style: We fully believe that if we take care of our employees, our employees will take care of our guests, and this in turn will lead to higher profits. We call this the service profit chain and realize that our employees are the number-one asset in our company. I started as an employee working as a fry cook at Jack in the Box. So I know and I value my people.

Greatest challenge: Covid-19 has made it a challenge hiring and retaining talent.

How close are you to operations? Very close. I am working as hard now with more than 500 restaurants as I did when I had only one. I enjoy being around my ops team and being very close to my business.

How do you hire and fire, train and retain? Now, the team makes all the decisions. I am involved in hiring only when I am asked by my top management.

COVID-19

What have been the biggest impacts of Covid-19 on your business? 1) Hiring and retaining talent. 2) So many different mandates and new instructions from government. 3) Decreased profits. 4) Supply chain and inflation. 5) Unpredictability of the future.

MVP QUESTIONS

Why do you think you were recognized with this award? By surviving, thriving, and growing in business despite the difficulties and challenges of the Covid-19 pandemic, and the differences I am making in the industry.

How have you raised the bar in your own company? By working hard, not giving up, and always having a positive outlook. I think this philosophy inspires our employees and drives them to further succeed in their professional and personal lives.

What innovations have you created and used to build your company? Technology and automation have been our focus to ease the workload. Our training platform has evolved and been streamlined.

What core values do you think helped you win this award? Hard work and doing the right things for people I work with and the businesses I represent. Never give up.

How important is community involvement to you and your company? Community involvement is everything! We all need to help and support each other in order to succeed. When Covid-19 first started, everyone needed to wear a mask but mask production was scarce. Our company tripled our order and donated most of it to the community. We are giving back to organizations such as Backpacks for Kids, Every Monday Matters, and No Kid Hungry. During the pandemic we supported many causes to help communities with food and other needs.

What leadership qualities are most important to you and your team? Leaders must lead by example. A leader cannot expect employees to work hard if he does not work hard. A leader cannot expect employees to be honest if he is not honest. The company needs strong leadership to build an honest and hard-working team. It's also important to provide the right platforms and tools for everyone to do their jobs right.

BOTTOM LINE

Growth meter: How do you measure your growth? Other than P&Ls, we measure our growth by increased footprint in our locations and seeing our workforce growing with it.

Vision meter: Where do you want to be in 5 years? 10 years? I have never set the goal in terms of where I need to be in 5 or 10 years. I strive to do better today than yesterday and continue to do that every day. In 10 years, hopefully I will be working on transitioning the business to the next generation who will run the business, and I can enjoy watching them grow.

What are you doing to take care of your employees? We give employees raises and bonuses based on merit and profitability. We also celebrate their hard work by having off-site parties and picnics. We have monthly newsletters by brand that recognize stores that have surpassed their goals. I also have provided opportunities for employees to be entrepreneurs as part of our business or helped guide them into their own business.

What kind of exit strategy do you have in place? Honestly, I love what I do, and I haven't thought about an exit strategy yet. ■

2021 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 build-outs, 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 again this year: they were compiled from FDDs created before and during the pandemic—and thus are *not* as representative as in the past as franchisees both large and small divest units, file for Chapter 11 protection, no longer exist (NPC International), or simply decide it's time to retire or get out of the business.

On the upside, there are franchisees and brands that quickly adapted, were deemed "essential," or whose business model accommodated the new normal (drive-thru, delivery, carryout, no contact, etc.). Banking on their good credit, solid infrastructure, and proven track record, these dominators are moving forward and creating historically large franchisee organizations that are changing the face of franchising.

Even during these pandemic 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 wide 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	TACALA	109
ALASKA	MICHAEL DAVIDSON; SUBWAY DEVELOPMENT OF ALASKA (tie)	21
ARIZONA	DESERT DE ORO FOODS	171
ARKANSAS	K-MAC ENTERPRISES	91
CALIFORNIA	G&M OIL CO	296
COLORADO	FLYNN RESTAURANT GROUP	92
CONNECTICUT	WENDPARTNERS FRANCHISE GROUP	44
D.C.	TEAM WASHINGTON	9
DELAWARE	MICHAEL A MEOLI	16
FLORIDA	NPC INTERNATIONAL	178
GEORGIA	GPS HOSPITALITY	101
HAWAII	KAZI MANAGEMENT	37
IDAHO	NPC INTERNATIONAL	30
ILLINOIS	DHANANI GROUP	204
INDIANA	CARROLS GROUP	89
IOWA	MERCHANT INVESTMENTS	40
KANSAS	ROTTINGHAUS	150
KENTUCKY	FOURTEEN FOODS	63
LOUISIANA	GPS HOSPITALITY	120
MAINE	FQSR (DBA KBP FOODS)	27
MARYLAND	NPC INTERNATIONAL	97
MASSACHUSETTS	HK ENTERPRISES	77
MICHIGAN	VISION GROWTH PARTNERS/SUPER C GROUP	69
MINNESOTA	BORDER FOODS	84
MISSISSIPPI	NPC INTERNATIONAL	131
MISSOURI	FLYNN RESTAURANT GROUP	125
MONTANA	MERIDIAN RESTAURANTS	21
NEBRASKA	DHANANI GROUP	39
NEVADA	TERRIBLE HERBST	85
NEW HAMPSHIRE	PETER NAPOLI	32
NEW JERSEY	BRIAD RESTAURANT GROUP	58
NEW MEXICO	BOBBY MERRITT	69
NEW YORK	METRO FRANCHISING COMMISSARY	140
NORTH CAROLINA	CARROLS GROUP	150
NORTH DAKOTA	HOLLAND INVESTMENT GROUP	21
OHIO	CARROLS GROUP	116
OKLAHOMA	LOVE'S TRAVEL STOPS & COUNTRY STORES	101
OREGON	AMBROSIA QSR OREGON	56
PENNSYLVANIA	CHARTER FOODS	72
RHODE ISLAND	THE JAN COMPANIES	24
SOUTH CAROLINA	CAROLINA RESTAURANT GROUP	53
SOUTH DAKOTA	CAVE ENTERPRISES OPERATIONS	23
TENNESSEE	SW DEVELOPMENT OF EAST TN	93
TEXAS	SUN HOLDINGS	481
UTAH	SIZZLING PLATTER	62
VERMONT	VERMONT DONUT ENTERPRISES	15
VIRGINIA	BODDIE-NOELL ENTERPRISES	178
WASHINGTON	EMERALD CITY PIZZA	89
WEST VIRGINIA	LITTLE GENERAL STORE	47
WISCONSIN	CAVE ENTERPRISES OPERATIONS	93
WYOMING	GRAND MERE CAPITAL	20

ENTIRE U.S.

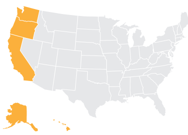
(50 states, Washington, D.C., Guam, Puerto Rico, and the Virgin Islands)

MSA	FRANCHISED UNITS
LOS ANGELES-RIVERSIDE-ORANGE COUNTY, CA	18,463
NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-CT-PA	18,185
CHICAGO-GARY-KENOSHA, IL-IN-WI	11,226
WASHINGTON-BALTIMORE, DC-MD-VA-WV	10,476
DALLAS-FORT WORTH, TX	10,311
HOUSTON-GALVESTON-BRAZORIA, TX	8,991
ATLANTA, GA	8,426
SAN FRANCISCO-OAKLAND-SAN JOSE, CA	7,637
BOSTON-WORCESTER-LAWRENCE, MA-NH-ME-CT	7,237
PHILADELPHIA-WILMINGTON-ATLANTIC CITY, PA-NJ-DE-MD	6,654
DETROIT-ANN ARBOR-FLINT, MI	6,315
PHOENIX-MESA, AZ	5,897
SEATTLE-TACOMA-BREMERTON, WA	4,918
DENVER-BOULDER-GREELEY, CO	4,675
MINNEAPOLIS-SAINT PAUL, MN-WI	4,615
MIAMI-FORT LAUDERDALE, FL	4,486
TAMPA-ST. PETERSBURG-CLEARWATER, FL	4,260
SAN DIEGO, CA	3,808
ST. LOUIS, MO-IL	3,694
CHARLOTTE-GASTONIA-ROCK HILL, NC-SC	3,675
ORLANDO, FL	3,476
CLEVELAND-AKRON, OH	3,274
PORTLAND-SALEM, OR-WA	3,228
LAS VEGAS, NV-AZ	3,042
INDIANAPOLIS, IN	3,018
CINCINNATI-HAMILTON, OH-KY-IN	3,005
SAN ANTONIO, TX	2,964
RALEIGH-DURHAM-CHAPEL HILL, NC	2,919
AUSTIN-SAN MARCOS, TX	2,917
KANSAS CITY, MO-KS	2,869
SACRAMENTO-YOLO, CA	2,865
NASHVILLE, TN	2,812
NORFOLK-VIRGINIA BEACH-NEWPORT NEWS, VA-NC	2,682
PITTSBURGH, PA	2,623
COLUMBUS, OH	2,520
MILWAUKEE-RACINE, WI	2,347
JACKSONVILLE, FL	2,239
SALT LAKE CITY-OGDEN, UT	2,098
OKLAHOMA CITY, OK	2,022
WEST PALM BEACH-BOCA RATON, FL	1,909
RICHMOND-PETERSBURG, VA	1,853
HARTFORD, CT	1,814
GREENSBORO-WINSTON-SALEM-HIGH POINT, NC	1,794
GREENVILLE-SPARTANBURG-ANDERSON, SC	1,769

MSA	FRANCHISED UNITS
LOUISVILLE, KY-IN	1,658
MEMPHIS, TN-AR-MS	1,597
NEW ORLEANS, LA	1,590
KNOXVILLE, TN	1,506
GRAND RAPIDS-MUSKEGON-HOLLAND, MI	1,488
BIRMINGHAM, AL	1,428
OMAHA, NE-IA	1,413
TULSA, OK	1,280
CHARLESTON-NORTH CHARLESTON, SC	1,270
DAYTON-SPRINGFIELD, OH	1,256
SARASOTA-BRADENTON, FL	1,192
LITTLE ROCK-NORTH LITTLE ROCK, AR	1,124
COLUMBIA, SC	1,117
TUCSON, AZ	1,116
BUFFALO-NIAGARA FALLS, NY	1,098
ALBUQUERQUE, NM	1,084
FRESNO, CA	1,081
COLORADO SPRINGS, CO	1,080
FORT MYERS-CAPE CORAL, FL	1,046
BOISE CITY, ID	1,043
BATON ROUGE, LA	1,021
DES MOINES, IA	995
ROCHESTER, NY	993
MOBILE, AL	979
LEXINGTON, KY	973
ALBANY-SCHENECTADY-TROY, NY	963
HARRISBURG-LEBANON-CARLISLE, PA	916
MADISON, WI	915
CHATTANOOGA, TN-GA	914
EL PASO, TX	900
WICHITA, KS	895
BAKERSFIELD, CA	888
HONOLULU, HI	861
PROVIDENCE-FALL RIVER-WARWICK, RI-MA	849
AUGUSTA-AIKEN, GA-SC	838
ALLENTOWN-BETHLEHEM-EASTON, PA	827
DAYTONA BEACH, FL	817
STOCKTON-LODI, CA	806
MELBOURNE-TITUSVILLE-PALM BAY, FL	792
JACKSON, MS	781
TOLEDO, OH	769
LAKELAND-WINTER HAVEN, FL	765
FAYETTEVILLE-SPRINGDALE-ROGERS, AR	763
HUNTSVILLE, AL	739
PENSACOLA, FL	738

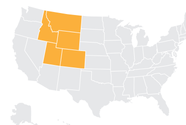
2021 DOMINATORS

LARGEST FRANCHISEES BY REGION



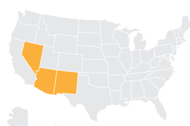
WEST
(AK, CA, HI, OR, WA)

	UNITS
G&M OIL CO	296
HARMAN MANAGEMENT	249
SOUTHERN CALIFORNIA PIZZA	235
TARGET	160
TEAM CAR CARE	150



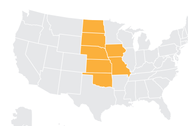
MOUNTAIN WEST
(CO, ID, MT, UT, WY)

	UNITS
NPC INTERNATIONAL	125
FLYNN RESTAURANT GROUP	119
HARMAN MANAGEMENT	106
SIZZLING PLATTER	96
ALVARADO CONCEPTS	79



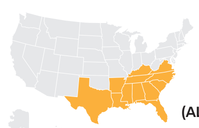
SOUTHWEST
(AZ, NV, NM)

	UNITS
DESERT DE ORO FOODS	180
BOBBY MERRITT	118
TERRIBLE HERBST	85
STINE ENTERPRISES	79
QUALITY BRAND GROUP	63



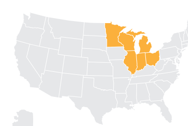
PLAINS
(IA, KS, MO, NE, ND, OK, SD)

	UNITS
ROTTINGHAUS	285
FLYNN RESTAURANT GROUP	275
NPC INTERNATIONAL	215
LOVE'S TRAVEL STOPS & COUNTRY STORES	163
K-MAC ENTERPRISES	153



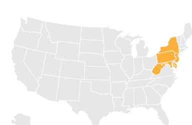
SOUTH
(AL, AR, FL, GA, KY, LA, MS, NC, SC, TN, TX, VA)

	UNITS
NPC INTERNATIONAL	937
SUN HOLDINGS	624
MUY BRANDS	468
FQSR (DBA KBP FOODS)	407
ARAMARK	334



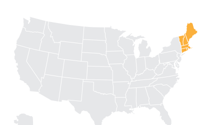
MIDWEST
(IL, IN, MI, MN, OH, WI)

	UNITS
DHANANI GROUP	304
CARROLS GROUP	272
FQSR (DBA KBP FOODS)	225
BORDER FOODS	172
MUY BRANDS	156



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

	UNITS
CARROLS GROUP	229
NPC INTERNATIONAL	167
METRO FRANCHISING COMMISSARY	140
MUY BRANDS	129
HMSHOST	120



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

	UNITS
DHANANI GROUP	100
HK ENTERPRISES	94
FLYNN RESTAURANT GROUP	62
WENDPARTNERS FRANCHISE GROUP	57
CHARTER FOODS	52

Source: FRANdata
Note: Data based on most current FDDs

WELCOME BACK!

MUFC returns bigger and better than ever

Written by **KERRY PIPES & EDDY GOLDBERG**

Following a series of cancellations and rescheduling brought on by the Covid-19 pandemic, multi-unit operators, franchisors, and suppliers reunited at Caesars Palace August 31–September 3 for the 20th annual Multi-Unit Franchising Conference. There was a fresh buzz in the air, along with stellar keynote speakers, in-depth educational sessions and panels, plenty of networking, and a overflowing Exhibit Hall once again open for business after a long hiatus.

Attendees looked to gain insights for operating their businesses, rekindle old friendships, build new ones, and uncover valuable takeaways to help their organizations grow—despite the continuing uncertainty brought about by the pandemic and its variants.

The proof is in the numbers, as this year's conference set a new record with more than 1,800 registrants, reflecting a long overdue, pent-up demand to get together in person after much too long apart.

The conference rooms and hallways were packed throughout the event, with a lively group gathering at the bar each night. In addition to all the franchisors seeking new franchisees and the more than 250 exhibitors displaying their wares and services, registrants included nearly 700 multi-unit franchisees operating more than 12,000 units with more than $11 billion in systemwide sales—with plans to open 3,700 stores in the next 12 months. (Talk about pent-up demand!)

First night – bowling and hors d'oeuvres

The conference kicked off Tuesday evening at Brooklyn Bowl, a short walk across Las Vegas Boulevard from Caesars Palace in the Linq Promenade. The informal social event offered a chance for franchisees to connect with their peers. For many, it was the first conference they'd attended since pre-pandemic days. The opening reception afforded the chance for first-time attendees and conference veterans to meet, mingle, snack... and yes, bowl, for a few brave souls. While scores were not impressive, the networking and fun quotient was off the charts, with many new connections made at this franchisee-only event.

Day 1: Welcome back!

Franchise Update Media Chairman Gary Gardner welcomed the crowd to the 20th annual event, noting the special feeling generated by old friends seeing each other for the first time in too many months. Gardner and former Conference Chairs Cheryl Robinson, Rocco Fiorentino, Rob Branca, Gary Grace, Sean Falk, and Greg Cutchall handled the introductions of sponsors and speakers during the conference.

The first keynote speaker was Ben Nemtin, co-author of the best-selling book *What Do You Want To Do Before You Die?* He also is a creator, executive producer, and cast member of the MTV series "The Buried Life," a show about how four young Canadian men created a bucket list of 100 items and took it on the road.

Nemtin shared his journey of how he found inspiration and purpose in life after anxiety drove him off Canada's national rugby team and into a major depression. (Rugby, he noted, is the third most popular sport in Canada, "after hockey and hockey.") Nemtin said his friends pulled him out of it—along with the question, "What do you want to do before you die?"—which created the spark to turn his life around.

He and his three friends set out on a 2-week summer road trip with a camera, a borrowed RV, and a bucket list of 100 things to do. For each item they accomplished on their list, they helped a stranger achieve something on that person's list.

CONFERENCE BY THE NUMBERS

Aggregated statistics from the 2021 MUFC

- **1,800+** Total attendees registered
- **670** Franchisees registered
- **12,000** Total units owned & operated
- **309** Exhibitors & sponsors (combined)
- **$11 billion+** Total annual revenue
- **77%** Franchisees seeking new brands
- **3,700** Units to open in the next 12 months

Nemtin boiled down the essence of achieving seemingly impossible goals to having accountability, inspiration, persistence, and fear—and laid out five simple, yet effective, steps to help achieve each goal: 1) write it down; 2) share it; 3) persist, be tenacious; 4) take moonshots; and 5) give to others.

He said that to achieve one's dreams, turn them into a project and break them down into manageable steps. One reason he said people don't achieve their dreams is that there are no deadlines other than the ones we set for ourselves. To remedy this, he said to share your dreams with others and find an "accountability buddy" to keep you focused on making your dreams real. Another obstacle to crossing items off your bucket list, he said, is that most people wait for inspiration to take action. But in his experience, he said, that's exactly backwards: "You create your inspiration through action."

Citing a study that found 76% of people said that "at the end of life we don't regret what we did, we regret what we didn't do," he suggested imagining yourself at 90 looking back at your life and asking how much time you spent making your dreams come alive. The keynote was sponsored by Inspire Brands.

Powerful sessions

The keynote presentation was followed by two general sessions. First up was "Lessons From the Edge: Successful Franchisees Tell Their Stories." Former MUFC Chair Fiorentino, a Primo Hoagies franchisee, facilitated a session with four other multi-unit operators: Dawn Lafreeda (Denny's); Glen Helton (Burger King, KFC, TGI Fridays); Anil Yadav (Jack in the Box, Denny's, and several more); and David Ostrowe (Taco Bell). Each panelist responded to questions such as, "What are the biggest hurdles in franchising?"; "What kinds of incentives have you used to get employees back?"; and "What technology and best practices are you using?" The general session was sponsored by Dunkin', Pronto Insurance, Take 5 Oil, and Zaxby's.

Next, lunch was served as attendees were treated to a "Fireside Chat with Nigel Travis," former CEO and now Executive Chair of Dunkin' Brands. Dunkin' franchisee Rob Branca hosted an informal conversation with Travis, who drew insights from his book *The Challenge Culture: Why the Most Successful Organizations Run on Pushback*. Travis previously held a number of C-level positions with Burger King, Dunkin', and Papa John's.

"It's important to challenge the assumptions about how you do business," Travis said. "Everybody at every level should be able to ask questions." This general session was sponsored by 7-Eleven, Checkers & Rally's, Great Harvest, uBreakiFix, and Zignyl.

Afternoon breakout sessions followed. There were three tracks this year: Growth, Operations, and Relationships. The first Growth Track session was "Service-Based Brands Are Viable and Scalable"; the Operations Track was "Protect Your Eroding Bottom Line"; and the Relationships Track was "Franchisee and Franchisor Relationships." Panelists shared candidly and fielded questions from the audience.

Following the breakout sessions, the doors of the Exhibit Hall opened for the first time. More than 250 new and longtime exhibitors were eager to chat about everything from new franchise opportunities to products and services aimed at helping multi-unit franchisees grow—faster, smarter, and more profitably. Inside the packed hall, with exhibitors overflowing into the hallways, attendees availed themselves of food and drink as they visited with franchise brand representatives and suppliers.

Day 2: Breakouts and keynotes

Day 2 began with concurrent breakout sessions. The Growth Track session was "Scale Your Organization for Growth"; the Operations Track was "Tools & Technologies To Enhance Operations"; and the Relationships Track was "Franchise Action Network—Drive Change at the Local, Regional, and National Level." The rooms were packed and moderators left plenty of time for questions.

The morning sessions were followed by the annual "State of the Economy" report from FRANdata CEO Darrell Johnson. He appeared by video this year and offered a mixed bag of cautionary advice and good news.

Covid and its effects, he said, will be with us for at least another year, perhaps much longer. And supply chain disruptions will continue to be an issue until at least 2023, with supply-side pressures contributing to inflationary concerns, compounding the labor shortage and wage hikes.

On the upside, Johnson predicted that consumer spending and GDP both will rise in the coming year, and noted that small-business lending is cautiously growing (see sidebar for factors affecting capital access). On the domestic labor front, he said, wage pressures will continue to increase across almost all categories, causing a rapid acceleration in the shift from labor to capital.

"A lot of what we're seeing was evolutionary; very few of the things that are changing today were caused by the pandemic," Johnson said. "But what the pandemic did change is that it compressed what was evolutionary across the next 5 or 6 years and pushed that into 18 months."

This acceleration, he said, has long-term consequences, including the possibility that inflation will be greater than what had been previously forecasted. For franchisees, this means added pressure to raise prices and/or create new efficiencies, such as replacing labor with technology where feasible (e.g., online ordering, delivery, contactless payment, kiosks, and QR codes).

Looking ahead on the consumer spending front, he said, "Things are set up for a decent 2022. The big unknown is what's below the water line—and by that I mean long-term changes around consumer behavior, labor, and government actions."

He said a rise in the number and types of alternative lenders is likely, but at higher rates than traditional lenders. And he expects M&A activity to set records in the coming year or more. "The Fed has flooded the market with a lot of money over the last couple of years and that money will have to find a home."

This general session was sponsored by Bojangles, Buffalo Wings & Rings, and the IFA. Johnson's full 29-minute presentation is available on the Franchise Update website.

A year in space

Following the economic forecast, it was time for a "loftier" presentation: the next keynote speaker was Capt. Scott Kelly, the U.S. Navy fighter pilot and NASA astronaut credited with being the first person to spend a year in space. Kelly centered his talk around the idea of "doing the hard things." He spoke of being a poor student and struggling as a Navy pilot, but emphasized how he kept working at it until he was successful.

Kelly said NASA taught him compartmentalization, the skill to focus on things you can control and ignore what you can't. To franchisees, he said, "You can't control the economy in this pandemic or when we'll come out of it," he said, but added there are many more things franchisees can control and to focus on those.

During his year in space, it fell to Kelly, as commander of the International Space Station, to make the final decisions. "Situationally dependent leadership is the key to my success," he said—along with teamwork and the ability to listen to experts. NASA, he said, taught him the value of diversity, of a team of people who see things differently, calling it a "superpower for the organization."

Despite all the precautions and care involved in every space flight, it still is an inherently dangerous business. But with proper preparation, and a team he could trust and rely on, the risk—and the view of Planet Earth from so many miles above—was more than worth it for Kelly, as well as the clear goal of furthering the science and technology of space exploration. And while "taking risks and being willing to fail I think sets the most successful people apart," he also said that "before we go to Mars we need to take care of this planet."

Kelly's keynote was sponsored by Lemon Tree Hair Salons.

Next on the agenda was a general session called "Succession Planning: From Future Growth to Your Exit." Multi-brand franchisee Jesse Keyser (Little Caesars, Sport Clips, Oxi Fresh) moderated an all-franchisee panel consisting of Paul Booth, Jr. (McDonald's, Ace Hardware); Fred Burgess (Papa John's, Twin Peaks, IHG, Marriott); Eric Danver (Hand & Stone Massage); and Jeff Tews (BrightStar Care, BrightStar Senior Living).

Keyser gave each panelist a chance to answer questions such as, "Who will you leave your business to?" and "How do you prepare to pass the business on?" The session was sponsored by Boefly, Scooter's Coffee, Entrepreneur, and FranConnect.

The final general session, "Legislative Impact on Franchisees Today," featured moderator David Barr, a KFC, Taco Bell, and Capriotti's franchisee and past IFA chair; Kimberly Crowell, a Jersey Mike's franchisee and 2018 MVP; Michael Lotito, Co-Chair, Littler Workplace Policy Institute and Shareholder, Littler Mendelson; and Matt Haller, president and CEO of the IFA. Panelists dug into upcoming potential government actions likely to affect franchising, including federal actions that could threaten the franchise business model itself.

Following this final general session, attendees had one final opportunity to visit the Exhibit Hall for the remainder of the afternoon, meeting with franchisors to explore new brands, and with suppliers to discover new tools to increase efficiency and boost their bottom lines.

Day 3: Embracing change

Friday morning's closing session featured multi-unit management expert Jim Sullivan for a presentation called "Dream Teams: 7 Smart Ways to Staff, Engage, and Lead Your Front-Line Workforce & Managers." Sullivan stressed how hiring, managing, and technology all have changed, and that successful franchisee leaders must change along with them. "If you want to improve the customer experience, you start by improving the employee experience," he said. "Leaders who are serious about hiring also have to be serious about teaching."

They'll be back!

"I was really impressed and benefited from all of the industry leaders who presented, as well as the different panels and breakout sessions that were moderated and led by other franchisees," said Hand & Stone Massage franchisee Eric Danver. "Some of the best practices and thought processes on how to run my business currently, as well as planning for the future, were really helpful to me."

Olon Hyde, a multi-brand franchisee with Office Pride and Scooter's Coffee, said, "This is a great conference because it's focused on franchisees. You are sitting down with peers who are facing the same issues as you are, and you can share best practices and lessons learned. It's also a great place to look at other brands and learn more about them in a structured environment that also provides the chance to talk with other franchisees about brands they operate."

The 2022 Multi-Unit Franchising Conference will return to Caesars Palace in Las Vegas next March 29–April 1. For more information, visit www.multiunitfranchisingconference.com. ■

TODAY'S STATE OF FRANCHISE LENDERS

1. **Conventional lenders**
   - Taking an industry portfolio concentration approach
   - Focusing on existing portfolio first
   - Moving slowly into new deals
2. **SBA lenders**
   - Pivoting from PPP lending to regular lending programs
   - High demand by borrowers to refresh, expand, grow
   - Projection-based underwriting means more analysis
3. **Alternative lenders**
   - Just beginning to see risk/reward opportunities
   - Opportunistically targeting good borrowers and pricing for risk

For all lenders, more due diligence, more information, and more questions.

Source: FRANdata

TOMORROW'S LEGACY TODAY

THE IMPORTANCE OF SUCCESSION PLANNING

Written by **HELEN BOND**

If the pandemic has forced home anything, it's that life is unpredictable. Ensuring the growth and multi-generational longevity of a franchise business means planning today to protect the legacy of tomorrow.

"It's been a disruption for everyone on every front. If we use this time wisely and continue to evaluate the environment, it should cause us to be more intentional about business planning," says Paul M. Booth Jr., president of Cincinnati-based Concentric Brands. "If you can position yourself in your organization to not just work in the business but work on the business, especially the owner-operators, that will actually help you with activities like succession planning, forecasting for growth, and understanding when to exit as well."

The world is changing, and so is the formula for lasting family business success, notes PwC's 10th Global Family Business Survey. The survey of 2,801 family businesses across 87 territories reveals the resilience, financial strength, and optimism of family-business owners—along with challenges such as the need for companies today to make ESG (environmental, social, and governance) and strong digital capabilities a priority.

Family values matter, but the analysis found that only 44% of those queried had anything formal written down in terms of a succession plan. The estimated 41% of family businesses that do were shown to have a robust, documented, well-communicated succession plan in place.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WAXING THE CITY

Family values

The value of solid succession planning while growing a robust, sustainable business is not news to Kendall Rawls, director of development for The Rawls Group. Still, she says, too many franchisees are not getting the message.

The multi-unit franchise model is a relatively new niche, with fewer second- and third-generational companies than, say, manufacturing, says Rawls, a second-generation family member of the business succession planning firm, which has offices in Atlanta, Los Angeles, Orlando, and Des Moines.

"Many franchisees don't consider themselves family-owned because 'family' isn't in the business yet," she says. "In our experience, where two or more people work together for reasons other than money, it is a family business. Family-like bonds are created and, assuming the company is successful, family members may become interested down the road. Not addressed ahead of time this can create many complications."

To create a foundation for ongoing success, Rawls encourages multi-unit franchisees to expand their definition of succession planning beyond an exit strategy, estate planning, and retirement.

"If a franchisee's goal is to buy a job and see where the chips fall, there is no need for succession planning," she says. "However, if the goal is to build wealth, affect lives, and create opportunities for the future, the purpose of succession planning is to build an unbreakable chain of strategies to overcome the possible, probable, and potential issue affecting the achievement of your vision. Essentially, it's about creating and refining strategies for sequential successes, no matter what is thrown their way."

Booth, a second-generation McDonald's multi-unit franchisee, doesn't know if his 5-year-old daughter, whom he affectionately calls his "co-CEO," will wind up in the family business one day, but he is driven by a purpose to build a business legacy that provides her with the opportunity. He is taking what he learned over a decade in the McDonald's system to pursue diversified opportunities for the next generation as a franchisee of Ace Hardware.

"When we think about succession and legacy, we can think really linearly about it," says Booth. "Your legacy in the business is bigger than the brand you are in. People buy and sell brands all day long. Families and organizations have to think about succession and legacy bigger than just one brand and one line of business. I look at my leg of the race as extending the business and extending the foundation that was given to me."

A solid plan, established early and revisited often, includes a vision and specifics on ownership, governance, and philanthropic goals—and whether family members are employed in the company or not. When roadblocks do arise, they generally surface in bench strength, successor development, family dynamics, and growth strategy, says Rawls.

Friction-free

The Kurth family, franchisees of six Weed Man locations, continues to serve as a testament to the friction-free rewards that come with proper succession planning, transparency, and ongoing communication.

Terry Kurth, a Madison, Wisconsin-based Weed Man franchisee since 2001, turned to outside professionals to create a clear succession path that addresses all the nuances that come with only one of his four children, Andy Kurth, active in the business.

Andy grew up working in the family business, joining full-time in 2004 after earning a degree in soil science and turf management from the University of Wisconsin-Madison. His leadership running the day-to-day operations as president and CEO allows his father to consider himself "90% retired" and focused mainly on consolidations.

Terry crafted a plan that provides Andy's three siblings with non-voting shares and a steady income for his children and family. Two non-family branch managers, instrumental in scaling "mammoth growth" in Austin and Denver, are also minor shareholders in the $23 million company.

"My dad trusts my leadership and my siblings are passive owners," says Andy. "They never give me grief for where we've taken

BUILDING A FORMULA FOR ENDURING SUCCESS

Let's face it. Family businesses—based and built on familial or personal relationships—are complex, noted PwC's 10th Global Family Business Survey, which includes survey and panel discussion insights from executives and leaders representing a mix of business and industries.

"Family harmony should never be taken for granted," writes Peter Englisch, Global Family Business Leader at PwC. Instead, he says, "It's something that must be worked on and planned for with the same focus and professionalism that's applied to business strategy and operational decisions."

It's imperative for family business leaders to act now to "embrace a new formula for enduring family business success," the report noted. This suggests the need for ongoing communication to structure plans that include digitization, diversification, upskilling, ESG initiatives, family continuity plans, and the following peer recommendations:

- Professionalize family governance. A professional approach strips emotion and personal bias from decision-making. Any governance structure should include a straightforward process for conflict resolution, preferably involving an independent party.
- Establish governance that reflects that families are dynamic. Revisit governance structures regularly to review ownership structures that can change through marriages and over time as the next generation of leadership enters the business.
- Write values down. A written account of family business values can serve as the common ground to bridge generational gaps and establish transparent communication and transitions.
- Allow external help. Conflict and differences of opinion are inevitable and the emotions involved in family discussions can be difficult to resolve internally. A neutral, outside perspective can help.

the business. My dad has never micromanaged me. He provides feedback and insight where necessary. If I'm wrong, we'll talk about it, and I'll pivot. We have a lot of respect for one another and what we've built together."

Building a deep bench ensures that the company can perform at the high level needed for a smooth succession, whether family or not. Both the chief operating officer and director of operations can function in his role and run the business without him, says Andy.

Today he focuses on acquiring high-level thinking talent with quick reaction times who are energized to lead the business. For instance, he credits the "mind and heart" of his brother-in-law, who joined the company as director of marketing in 2020, as being integral to the success of the family business.

"Our people are our succession," says Andy. "We make it a point always to promote and have the career opportunity in front of people. We feel that's the best way to keep them energized, as they are motivated by the opportunities. As long as our people have the energy, we are willing to go there with them."

Get your ducks in a row

Nick Marco, a Hand & Stone Massage and Facial Spa multi-unit franchisee, understands the value of thoughtful planning for continuity in more ways than one. The son of the brand's founder, Marco came up with the Hand & Stone name his father, John Marco, settled on when the brand's first location opened in Toms River, New Jersey, in 2004. After building a trailblazing national brand, John Marco retired when Hand & Stone was acquired by Los Angeles–based private equity firm Levine Leichtman Capital Partners in 2015.

The younger Marco, a registered nurse with a degree in biochemistry and molecular biology from Penn State, returned to Hand & Stone in 2014, following his passion for health to excel as a franchisee of nine New Jersey spas, co-owned with his sister.

"If you were to be approached tomorrow by someone wanting to buy your business, you shouldn't have to do a lot of due diligence to get it to be ready to be presented," he says. "This is something that I have absolutely taken away from my father's experience. Having really intelligent people to seize opportunities, and getting that financial discipline early on, enables you to exceed industry standards and will elevate your business."

He also benefits from knowing what it takes to succeed as a regional developer of 14 Hand & Stone locations in Ohio. Family-owned companies are not always structured as formally as they should be, he says, leading to "too many cooks in the kitchen" because responsibilities are unclear. When working with franchisees eager to include family members, he makes sure it's the right fit.

"I'm very direct, and so is my team," says Marco. "We make it clear that you are paying us to support you, and I'm not going to set you up for failure. If you tell me you want to have a family member involved in the business, I'm going to ask you to be completely honest about their skill set. If it's not strong and you are brand new, I'll say, 'Don't do it.'"

The franchisor factor

Succession planning for continuity must meet the owner's vision and goals, but it also must satisfy the franchisor's requirements for the brand. This is just another reason to stay engaged with your franchisor, says Schlotzsky's multi-unit franchisee JJ Ramsey, who serves as a member of Schlotzsky's franchisee advisory committee.

"It is important to maintain an open dialogue with franchisors to ensure that your business is running efficiently and delivering a great customer experience, regardless of behind-the-scenes circumstances," says Ramsey. "I am a true believer in maintaining a great relationship with the team at corporate and being an active participant with the brand."

Growing up, Ramsey learned the value of family business decision-making by working with his siblings and parents in their Schlotzsky's restaurants. After his father sold the family's portfolio of 8 restaurants in 2011, Ramsey worked as a consultant for the brand, returning to the fold as a franchisee in 2015. He and his wife and business partner Hortencia Ramsey oversee a burgeoning portfolio of 20 Schlotzsky's locations in Texas, Arkansas, Missouri, and Kansas.

Ramsey is in extreme growth mode right now and focused on building "the biggest business I can imagine," he says. In 2020, he decided to remodel 10 of his Schlotzsky's restaurants, and he recently opened the first location of the brand's new prototype.

While his oldest son already works in one of the family's restaurants, Ramsey says that when it comes time to focus on the next step in succession planning, their three children, now 17, 7, and 7, will not be obligated to join the family business. Instead, he will encourage them to do what makes them happy.

"Try different things," he says. "It's important to encourage your family, especially kids, to do their own thing so they do what they find most rewarding." ■

DON'T GO IT ALONE!

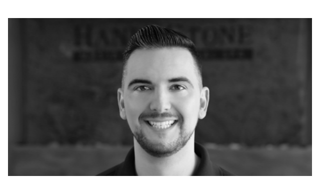
Seeking professional support can help business owners navigate the emotional aspects of succession, identify the blind spots within their corporate structure, and provide options that enable owners to focus on growth opportunities.

"I would encourage all families to get some help with succession planning," says Booth. He credits time well spent a few years ago at the University of Cincinnati's Goering Center for Family and Private Business for providing his family with a framework to look beyond the day-to-day grind. Vision alignment and setting up a time frame for transition are critical components to keeping the business humming, he says.

IN THIS ARTICLE

Paul Booth Jr.

Terry & Andy Kurth



Nick Marco

JJ & Hortencia Ramsey

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ADDING A NEW BRAND

6 franchisees tell how they did it

Written by **SARA WYKES**

For some franchisees, it was simply more practical. Others were looking at their family's future. Still others were following the business world's version of avoiding placing all their eggs in one basket. Motivations aside, branching out from focusing on a single franchise brand to operating another brand or possibly more requires a sensible, well-considered process. Here are the stories of single-unit operators who have successfully added a new brand… or two.

Jeff Burroughs was quite happy with the 29 Sport Clips salons he, along with his wife Robyn Hanson and their son, had acquired in Maryland and two other states over the past few years. By 2019, however, he was paying more attention to something else. "'What's your exit plan?' is always in the back of your mind," he says—even as his wife was holding firm to a "Why would we do anything else?" approach.

This meant Burroughs would need to find a second brand that would, ideally, complement his Sport Clips salons and provide cross-marketing opportunities. For Burroughs, with his son in mind as part of the company's long-term future, it meant finding a brand that was family-friendly, fun, and involved in the communities where it operates. And it would have to be a brand, like Sport Clips, where the quality of the experience was paramount.

Territorial imperatives

Like Burroughs, Olon Hyde was satisfied with the growth of his Office Pride Commercial Cleaning Services franchises in Florida. However, as vice president of operations, he was coming up against a common problem among franchisees seeking to grow. There are only so many locations of a single brand one can open in a territory before cannibalizing sales and profitability. Expansion outside one's territory requires travel to those new locations—which not only takes time away from family, he says, but also can make it harder to manage and maintain quality in your current operations. For Hyde, adding a second brand to the same territory made practical sense given his priorities. "We didn't want to have to continue stretching," he says. "We wanted to grow where we live and work."

Territory also was a key factor in Craig LeMieux's decision to start branching out with a second brand. He and his wife Dianne joined Tropical Smoothie Cafe in 2004 and have built territories in Michigan, Colorado, and Northern Ohio. "Tropical Smoothie Cafe had sold all available locations in Michigan, which is the market we wanted to expand in the most," he says. Also, he adds, "We wanted to get involved in non-food brands."

More investment baskets

Two longtime Texas franchisees, Justin Sharbutt and Austin Hester, were thinking early on about diversifying as a good business move. "From the beginning, we were in the restaurant business, but we knew we did not want to have all of our eggs in one basket," says Sharbutt. And Hester was thinking about the phenomenon of brand weariness and hoping to find a second brand as a hedge against it.

Once they decided to find a second brand, the next question was where to find one that would work alongside their first brand, existing infrastructure, and personal and business goals.

Franchisee Christopher Klebba, founder and president of Northern Diamond Management, was looking for a brand that, he says, "would match our passions and align with how we run our companies." He turned to a reliable source.

"One of the things I'm most grateful for in business is my network. We stay very close to fellow friends and leaders in the spaces we are in. It is so valuable to have a robust group of like-minded entrepreneurs who look at and vet potential businesses similarly to how we do. People make the brands we are in; it all comes down to alignment. Knowing the quality of folks entering and working in a brand is a massive factor."

Hyde also turned to his franchise business network, understanding that his criteria for that second brand might make the search more of a challenge. “Having been in franchising already and understanding the value in it, we naturally began our search in that network,” he says. “We knew it had to be something where we could be absentee or semi-absentee to make sure our current successful business didn’t suffer. We also looked for existing businesses that might be for sale in our area.”

Gatherings of franchisees at conferences proved highly effective for LeMieux and Sharbutt. LeMieux made good use of his time at one of Franchise Update’s Multi-Unit Franchising Conferences in Las Vegas by connecting and sharing his goals with other franchisees in attendance. Sharbutt was headed to a convention and happened to pick up a copy of the latest *Entrepreneur* magazine. “There it was: Tide Dry Cleaners was now franchising. We made the call and got the ball rolling immediately,” he says. Someone he knew made another connection for him. “One of our friends met and became friends with the owner of a BurgerFi at the time. We all went and tried his restaurant in West Palm Beach and were hooked from there.”

Choose carefully

When it comes to evaluating available options, franchisees must be meticulous and thorough to improve their odds of succeeding with a new brand. “The first criteria we had was that it couldn’t require us to be involved full-time in the business for it to be successful,” says Hyde. “We could be more involved on the front end to get it open, but it would need to be able to run without our daily attention within 6 months of opening.” Hyde and his team also looked at opportunities likely to have a more stable employee base.

Last, he says, “We looked deeply into the financial sustainability of the opportunities—meaning how quickly they would reach profitability, and how quickly they could be scaled through additional locations or territories.”

Klebba wanted to reinforce what he already had with something similar. “We analyze every detail available to us, but the most important decision points are those around culture, alignment, and the quality of the teams behind the brand and working in the brand,” he says. “You have to be in lockstep in your views of where the business stands today and your vision of where the brand needs to grow and what that looks like into the future. A history of team-building in the corporate office, robust communication networks in every direction, and ability to scale are also extremely important to us.”

Hester knew he had to consider other elements. “Parking was a critical piece,” he says, “and whether a site would draw the same type of consumer.” His first purchase was a shopping center. Then came a hotel with a restaurant on-site. Those two purchases expanded his partnerships into an area he’d wanted to go.

At some point, however, the choice may be as much about emotions as anything else. A brand must have the right unit economics and be profitable and scalable, but, says LeMieux, “You need to love your brands.” And, adds Sharbutt, “believe in them.”

Lessons learned

After going through the process once, franchisees learned lessons they could apply the second (or third) time through. “Having a lot of clarity on exactly what we wanted in the next brand opportunity made the search much easier,” says Hyde. “However, we are moving from a service-based brand to a brick-and-mortar brand and didn’t understand the challenge that site selection can be. There are so many great locations, but getting it across the finish line to break ground is a grueling process.”

Sharbutt advises a slightly different go-slow technique. “Once you have one model store you are happy with, open the following two stores to ensure that you can handle being a multi-unit operator and that you have the infrastructure for growth,” he says. “Make sure the first store is what you want before opening the next one.”

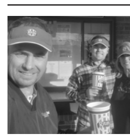
Klebba is pragmatic about the next brand—and the next and the next. “The power and importance of alignment has only become more and more relevant,” he says. “We are going to have difficulty at some point, be it internal, external, environmental, etc. It’s a matter of finding the team of people you want to fight with.”

LeMieux, who owns units of four different franchise brands and has invested in three others, has learned that “not all franchise concepts know who they are or where they should and should not grow. Not all brands work in every market.”

As he has diversified his holdings, Hester has had to learn to trust and delegate. “I can’t be everywhere every day, so I’m learning to be involved at a different level.” He hasn’t changed his basic ideas about how to do business, however. He still believes in being very cautious about pulling out large amounts of cash.

And what of Burroughs and his plan to add a second brand to the family’s 29 Sport Clips? He’s still happy with his first brand—and just as much with his new brand, Rita’s Italian Ice. “It’s the type of brand where you can make an impact in the community. It’s a brand that’s all about the community. My goal is to own all the Rita’s in Southern Maryland, and if I find another brand that I think is good for the community and we can make a difference with, then I am willing to make a difference.” ■

IN THIS ARTICLE



Jeff Burroughs

Olon Hyde

Christopher Klebba

Craig Lemieux

Justin Sharbutt

It's a Job Candidate's Market

4 factors driving labor shortages and how to address them

Written By
MATHIEU STEVENSON

The restaurant industry has been on an erratic ride over the past 18 months—and we've been acclimating to each new high and low in real time. We're presently confronting our greatest test to date: the labor shortage and retention crisis.

The Bureau of Labor Statistics recently reported that job openings increased by 749,000 to 10.9 million at the end of July, the fifth consecutive month job openings hit a record high. The largest increases included health care and social assistance and accommodation and food services. There are approximately 70% more job vacancies now than pre-pandemic across all industries and 10% fewer people looking for work—the greatest gap in recorded history.

Adding to the issue, turnover rates have spiked and voluntary quits are at an all-time high—leaving restaurants scrambling to retain the staff they do have. Hourly turnover in restaurants has risen above pre-pandemic levels.

To put it simply, it's a job candidate's market and many are rethinking when, how, and where they want to work. Here are four factors driving the restaurant labor shortage along with advice on how to address each issue and stay competitive.

1. **Wages and benefits.** For the first time in decades, the U.S. hourly worker has the upper hand in compensation conversations. In response, many restaurants are offering better compensation packages and unique incentives to attract employees. BlackBox Workforce Intelligence data reported that in Q2 2021, limited-service hourly wages increased by 10% year over year, the highest increase the industry has seen in years (increase in Q1 was 4.1%). Another example: line cooks in full-service restaurants saw a 6% increase in Q2, almost 3% higher than the increase they saw in Q1. Large employers like Target pledged to pay 100% of tuition and textbook costs for more than 340,000 employees, and CVS announced an increase in hourly wages and elimination of education requirements.

   How to address it. As the employer, your primary job right now is to empower your workers from the start. Consider the five most important things restaurant workers are looking for: 1) starting wage (87% of respondents would rather have a set livable wage than rely on tips), 2) promotion opportunities, 3) flexible schedules, 4) health benefits and paid time-off policies, and 5) company culture/work environment. Be sure to advertise any of the hiring incentives and benefits or perks your business offers loud and clear in job postings and on OOH media and street signage.

2. **Childcare.** Many daycares are short-staffed, and hourly restaurant workers with children are unable to rejoin the workforce because of a lack of childcare options. The caregiving crisis is affecting restaurant operations and companies' bottom lines.

   According to Snagajob data, 35% of current hourly workers and job seekers are parents, and 18% of unemployed hourly workers had to leave their job to take care of family or children. In the second half of April, a U.S. Census survey found that nearly 1 million households had at least one adult who could not look for work because they needed to look after their children. Restaurant workers with children often rely on affordable childcare options like daycares, which are limited because of the pandemic.

   How to address it. Within your job description, highlight any flexibility you offer that would be helpful to working parents. Talk to your staff and find ways to support them if they are struggling to juggle childcare responsibilities and work. It may be as simple as adjusting their hours.

3. **Opportunities in other industries.** When restaurants closed in the early days of the pandemic, many workers turned to other sectors that were thriving, such as warehousing and logistics. More than half (51%) cited higher pay or the need for consistent schedules and income as their top reason for switching industries.

   How to address it. Focus on retention. Build a culture that workers want to be part of and that meets their needs so they will stay. Foster a sense of community and encourage open communication with your staff before it's too late. If there are things being offered by other employers that have them looking, maybe you can offer them to your team too.

4. **Concerns about mental and physical health.** Employees are dealing with everything from working overtime and dealing with the stresses of living and working through a pandemic to having to take on additional responsibilities at home and at work. These past 18 months haven't been easy; now, more than ever, people are prioritizing their mental health.

   How to address it. If you are asking workers to enforce mask or vaccine mandates, provide support and ensure they are comfortable with taking on this additional responsibility at work. Create an open dialogue between staff and managers to get ahead of any potential issues that could hurt retention.

Conclusion

With all of this in mind, it's important to implement changes to attract and retain dependable workers. By addressing the issues head-on, you can effect real change to increase your bottom line, boost customer service, and create a more rewarding workplace. ■

Mathieu Stevenson is CEO of Snagajob, the country's largest platform for hourly work, with 100 million registered job seekers and job opportunities at 700,000 employer locations in the U.S. and Canada.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Above & Beyond!

Creating a culture of customer service

Written By
JOHN R. DIJULIUS III

The following is one of my favorite stories. It happened years ago at the first business I opened (and still own today), John Robert's Spa. It really defined the type of above-and-beyond organizational culture I want every employee to have.

A client shared a story about the time she walked into one of our salons for her 1 p.m. manicure appointment. The receptionist said, "We have been trying to contact you all morning because the nail technician who was to do your manicure went home sick." The client responded, "You had better find me someone who can do my nails because I have an important meeting this afternoon and my nails look horrible. I don't care who it is, but you had better get someone." A few minutes later the receptionist returned and said, "I apologize. Unfortunately, we have no one available to do your nails, but we called the salon a few doors away. They have an opening now, so we booked and paid for a manicure with them."

5 steps to an above-and-beyond culture

I have heard many frustrated leaders say, "We have a few employees who go above and beyond all the time for their customers. And we have many who never seem to—the ones who say the opportunity never presents itself."

The truth is that everyone gets the same number of above-and-beyond opportunities. The only difference is some employees see the opportunity and act on it, while others fail to even see it. To build an above-and-beyond company culture, you must be proactive about creating awareness by constantly advertising stories to your employees. Follow these five steps to create your that culture in your company.

1. Empower employees with the autonomy and confidence to aggressively go the extra mile without being second-guessed by management.
2. Train employees to be able to consistently recognize above-and-beyond opportunities that occur.
3. Inspire them on how to think outside the box to provide exceptional positive experiences for each and every customer.
4. Acquire and document all above-and-beyond stories that happen in your organization.
5. Advertise and recognize those stories and employees throughout your entire organization—daily, weekly, monthly, quarterly, and annually.

3 out of 5 wins!

Now here's the crazy thing: You only have to do three of the five steps!

Steps 4 and 5 take care of steps 2 and 3. When you put systems in place to catch all the above-and-beyond stories (step 4) and then continuously celebrate and advertise them to everyone in your organization (step 5), you start training your employees on where the opportunities exist (step 2), and on how to deliver above-and-beyond service (step 3). The more that happens, the more it gets recirculated and can become self-perpetuating. It becomes positive peer pressure—provided you keep documenting and celebrating.

An above-and-beyond culture starts with documenting every above-and-beyond story that you hear from someone in your company. You can't just *hope* to find these stories; you must solicit them. For example, you must have communication channels set up that ask and make it easy for employees and customers to share how someone went above and beyond for them. All these stories can be solicited and collected through email, snail mail, voicemails, social media, or where the customers check out.

Every above-and-beyond story must be stored in a central place, so you can track that they have been reshared company-wide and celebrated. From the master list, you can choose the best above-and-beyond stories of the month and quarter. Some companies give prizes to these winners.

Finally, out of the top stories chosen monthly or quarterly, create an award for the top above-and-beyond story of the year. This award should be voted on by all employees. This honor meets two objectives. First, it's a great way to recognize the individual for outstanding heroic service. Second, you are educating and advertising to all your employees the different opportunities for them to deliver world-class service.

During new employee orientation, share with them your all-time top 10 above-and-beyond stories. This helps set the tone for the type of customer-obsessed culture they are joining.

When you do all of this, you will see a dramatic increase in the above-and-beyond stories your employees are executing. Your entire organization will be on a mission to constantly exceed customer expectations. ■

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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Blueprint for Growth, Part 2

Expand your range of products or services

Written By
BARBARA NUSS

This article, the second in a 3-part series, continues our discussion of your "blueprint for growth." Consider a combination of these possible pathways:

- Growing your core business (organic growth—same services, same territory)
- Expanding your range (more products and services, same territory)
- Expanding your territory (extend your geographic region)

To set actionable goals and measurable milestones for each strategy, *you MUST do the math.* In part 1 (Blueprint for Growth: Do the Math!), I outlined the metrics and analysis required to form the blueprint for growing your core business. In this article, I share insights on building the blueprint for expanding your range of products and services.

Expand your products or services

As part of their growth strategy for expanding the range of products or services offered, many franchisors recommend a cadence for adding infrastructure (staff, equipment, facilities). Assess the opportunities by determining the sales needed to produce your required ROI. To do this, you'll need to know what you must invest up front and how your costs will change in the future.

For example, a sign maker can provide more services to existing customers by adding bigger printing equipment that expands in-house capabilities. A wholesale flooring company may increase revenue by providing kitchen and bath products to their existing construction contractor customers. Both require up-front investments for equipment or buildout, plus staff to support the ongoing operations and future maintenance of the new equipment or facility.

As with the core business (see part 1), a simple breakeven analysis is your friend. This time, instead of using the existing cost structure to set sales targets for the location, you will consider the *incremental costs* related to the new line. List all the new fixed and variable costs related to the opportunity. Then, estimate the variable costs as a percentage of sales and the annual fixed costs.

An analysis based on an average customer, job, or invoice is extremely useful. Why? Because you can determine the *activities* needed to earn your targeted ROI. Example: How many jobs per month would yield a 33% ROI on a $30,000 expansion investment?

At 3 jobs per week this investment pays for itself in 3 years. Producing more jobs would shorten the payback period. A goal of 3 jobs per week keeps you and your team focused on driving success. On the other hand, hoping you make money on the investment might work. But hope is not a strategy. Do the math!

How can franchisors help?

Franchise executives provide vision and leadership to vet opportunities by selecting a viable range of products and services for expansion. Then they provide guidelines so franchisees know when they are ready to take the next step. Leadership and vision are essential to successful brand development. Still, franchisees can better manage their growth with education and information.

Financial education. Provide knowledge, financial skills, and tools. Ensure they have numbers they can trust, and that they know how to use financial information to make better, more profitable decisions. This includes a solid understanding of the many uses of breakeven analysis, along with basic budgeting and cash flow planning skills. Check out our website for a quick-start, scalable solution to get franchisees on the right financial track, right now.

Benchmark your KPIs. Collect, analyze, and share information. Demonstrate what "good" (and achievable) performance looks like at various phases of unit maturity. Benchmark sales metrics, profitability, and cash flow ratios so franchisees can construct reliable plans and obtain the financing they need to succeed.

Do the math

What incremental sales are needed to earn your targeted ROI? Do the math! Breakeven analysis is an essential skill set for all business leaders. If this seems challenging, invest in yourself first. Take an online course to learn and practice using this essential skill.

In my next article I will detail the blueprint for growth when adding a location. ■

Barbara Nuss is the president and founder of Profit Soup, a financial education organization specializing in providing services to franchisors and franchisees to enable them to trust their numbers, focus on priorities, make better decisions, and earn more profit. She can be reached at barbara.nuss@profitsoup.com or 206-282-3888.

	CALCULATION	RESULT
Average Job Amount (for the new line)	$400	
Less: Variable Costs per Job (Based on estimated variable cost %)	-$300	
Contribution Margin per Job	**$100**	
Incremental Annual Fixed Costs	$5,000	
PLUS: Targeted Annual Profit (33% ROI x $30,000 Investment)	+$10,000	=$15,000
Number of Jobs Required to Earn 33% ROI	**$15,000** **$100 per Job**	**= 150 Jobs per Year** **3 Jobs per Week**

Headwinds & Tailwinds

Investors are still scaling the wall of worry

Written By
CAROL SCHLEIF

"The truth is, there is no actual stress or anxiety in the world, it's your thoughts that create these false beliefs."

—Wayne Dyer

The market's collective propensity to worry quickly reasserted itself this summer with the spread of the delta variant of the coronavirus. Is the concern justified? There are plenty of arguments on both sides, but it is important to remember that there are ample concerns in virtually every investment period—and that over the long pull, the direction of equity markets tends to march upward, reflective of the perpetual level of growth in the economy. A long-term bet against markets is a long-term bet against economic progress.

That said, a variety of short- and intermediate-term issues can affect one's assessment of—and tolerance for—risk. Understanding which risks are most pertinent for you (cash flow, liquidity, credit, tax, transaction costs) is imperative for building a long-term plan that fits your specific situation.

Many factors could lead to market volatility through at least year-end. Much will be noise with little long-term substance. Below are some of the headwinds that may perpetuate the "wall of worry," followed by a few tailwinds to help keep anxiety in check.

1. Psychological headwinds

- The delta variant (and perhaps others on its heels) has deflated hopes of a rapid return to some sort of "normal." Some in the scientific community are warning that the coronavirus will be perpetually with us in much the same way as cold and flu viruses are.
- The fitful pace of reopening is likely to continue, especially as schools and businesses open, close, and reopen. Planning, projecting, and investing are all difficult in such a fluid environment, and investors must grasp that accurate earnings guidance will be tough to come by.
- Snafus in logistics and supply chains will likely take much longer to work out than originally hoped for given parts, labor, and commodities shortages. It's tough to build cars without chips, and even if the chips are built it's tough to get them from one point to another if there aren't enough container ships or truck drivers.
- Wages and employer enticements continue to increase as employees in many sectors currently hold the power in much the same way as home sellers do.
- Fed watching will remain many investors' favorite spectator sport. Will they be too early or too late in withdrawing fiscal support and/or raising rates? How long is "transitory" going to be?
- The debt ceiling debate and related showdowns in Congress will likely produce ample inflammatory headlines. The debt ceiling itself was technically exceeded at the end of July and Congress does not (as of this writing) seem inclined to increase or suspend it until the 11th hour. Markets have come to expect this, but may become increasingly concerned should it drag out toward year-end. ("Christmas Cliff" anyone?)
- Environmental concerns and their impacts on individual businesses are increasingly front and center. Much of what is in both infrastructure bills could affect individual companies and sectors—both positively and negatively.
- Both infrastructure bills are likely to make slow and grinding process through Congress. They're historically unparalleled and will create numerous opportunities for each elected official to get headline-worthy quotes assembled for use in next year's midterms. Bottom line, both parties do seem to want to get something done, though passage will be hard-won given the close margins in both the House and Senate.
- Then comes the concern over how to pay for all that spending. We expect lots of wrangling over increasing corporate taxes, capital gains taxes, and/or taxes on top earners. Each of these issues is likely to generate ample headlines.

2. Tailwinds

Amid the angst over the foregoing, it will be important to remember that many things are going right too. Ironically, the delta-induced reduction in activity and supply chain constraints may produce enough of a gating factor on economic activity to allow it to be extended much longer than would otherwise be the case. Key factors supporting economic progress (and eventually markets) include:

- Ample fiscal and monetary support.
- Consumer spending remains solid, even with the (hopefully) temporary setbacks of reasserted mask/social distancing mandates. We suspect the holiday season could be merry given even more pent-up demand anxious to be set free.
- Healthy businesses. Many trends already in place (telemedicine, AI, robots, enhanced shipping, WFH) were accelerated by a decade or more. Company balance sheets are cash rich, and GDP has returned to pre-pandemic levels with more than 6 million fewer workers in the force, implying massive improvements in productivity.
- Consumers have substantial cash and power. Average wages are up, but even more progress is being made at the individual level given that quits rates are at record highs as employees leave for better pay and/or job arrangements better suited to their post-pandemic needs.
- The machinations around the infrastructure bills as they move through Congress could prompt a variety of tangential actions such as increase in M&A and/or portfolio turnover of low-basis stock if specific items in "how to pay for it" categories look likely to pass.
- Similarly, there could be a push to get certain real estate transactions done in advance of a rewrite of 1031(b) exchange rules.

Bottom line

Given the number of important issues at play and looming midterm elections, we think this year's final quarter and the start to 2022 will be anything but dull. For investors oriented to the long term and implementing their own well-thought-through plans, such potential volatility (where substantial noise is accompanied by solid underlying fundamentals) can provide interesting opportunities. ■

Carol Schleif is deputy chief investment officer at BMO Family Office, a wealth management advisory firm that provides family office services and investment advisory services to single family offices and wealthy families through an integrated planning and advisory approach. To learn more visit www.bmofamilyoffice.com.


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Family First!

3 keys to creating a succession plan

Written By
RAY & ANDREW HOWELL

We are currently working together as Amazing Brandz, owner of 18 Tropical Smoothie Cafe (TSC) locations throughout Orlando, Sarasota, and Fort Myers, Florida, as well as three future Florida locations of Another Broken Egg Cafe in the Lee County area. We'd been franchising separately with TSC since July 2013. Then, in 2018, we decided to merge our businesses together and operate under the Amazing Brandz banner.

Companies tend to have varied personalities at the helm, and ours is no exception. Ray is the visionary, excellent at negotiating deals and big-picture thinking. His wife Joy is the taskmaster, tirelessly making sure no detail goes overlooked. Andrew shines in the middle, using his customer service and communication skills to execute those big ideas.

All three of us are big believers in the family-first culture we have created, and our management teams and employees have thrived with the TSC brand. Within that environment, we find the customers are generally happier, and it's an easier schedule. We saw the same type of opportunity with Another Broken Egg Cafe, with its appealing one-shift business model and operational simplicity.

As we look farther down the road at our long-term growth plans and the future of Amazing Brandz, we have the security of knowing we are in this business together as a family. We can lean on each other's strengths, learn from our differences, and set a course for a smooth transition as Andrew eventually takes the helm. Here are a few things we've learned since going into business together.

Play to your strengths

Successful businesses put people in a position to win by playing to their skill sets. Merging our companies gave each of us an opportunity to focus on the tasks we enjoy the most and are best at handling. We've also learned how to collaborate and continually shift our workloads so that each person is bringing their very best gifts to the table.

For example, Andrew was happy to pass along the accounting and payroll responsibilities to Joy and have the opportunity to work more closely on operations and regular communication with our district managers. That division of duties worked very well for them for the first several years. Now we are seeing new opportunities for each of them to step into new responsibilities that will allow them to grow and nurture different skills.

Joy's attention to detail was a gift to the books. Now we have an opportunity for her to take on the director of operations role so Andrew can step into a larger leadership position with development. Negotiating leases and planning for future growth alongside Ray, who has decades of experience to draw from after 29 years as a multi-unit Meineke franchisee, will be an excellent way for Andrew to hone his skills in this area.

Learn from generational differences

Ray's father grew up among a generation that believed very strongly in duty and determination, pushing himself, and always working harder… until his early death at 71. Ray saw firsthand the consequences of that work ethos, but he also recognized the benefits of putting in the work to build a business. Self-employed since 1984, Ray is a problem-solver. He's been there, done that, and his wisdom means he knows when to pursue the right idea, even if he wasn't the one to think of it.

Andrew has had the good fortune to grow up with a front-row seat watching Ray's business dealings. He also learned the customer service ropes as a college student working for The Walt Disney Company. His Millennial mindset and Disney experience give him a fresh perspective on customer service that serves Amazing Brandz well.

Both of us have learned how to find a compromise and collaborate when the inevitable differences in ideas collide between a Baby Boomer and a Millennial. Ray typically needs time to work out a few things in his head; then he will call Andrew to discuss. Andrew usually has a twist or two to Ray's ideas that enhance the plan, and we plot a way forward from there. We respect the skills and life lessons each of us brings to the table, and we allow our different, yet complementary, styles to coexist.

For instance, the franchising model means there is a good bit of procedure to follow in our business, which really works well for Ray's personality. He was an award-winning franchisee with Meineke for three decades because he flourished in that structure, building his long and successful career one smart step at a time. Andrew's influence can be felt when solving a problem a little outside the box or by being more open to adaptations and change.

Prepare early

In our fourth year working together as Amazing Brandz, we have found our groove. Our TSC locations are doing well and we are developing new cafes. We have diversified into full service restaurant ownership with Another Broken Egg Cafe and are going full steam ahead with plans to open our first in Lee County.

Our experience as multi-unit franchisees has helped us recognize there is a tipping point as your company grows. Once you pass 15 stores, the workload compounds quickly. Just as it is important to build your bench ahead of time by adding employees and divvying the tasks well ahead of crunch time, we are building our bench in advance for eventual succession.

Andrew is starting his Executive MBA and growing as a leader every day. He is putting in the time and effort to network, earning appointments to boards and committees. The transition will happen organically over the next 2 to 5 years as he takes on more of the development duties and gains more experience in the industry.

In the process, we are grateful for this time together to continue learning from each other, leading by example, and putting family first. ■

Passing It On

3 options for succession planning in a post-Covid world

Written By
CARTY DAVIS

As franchising continues to recover and evolve from Covid-19, and with renewed caution surrounding the delta variant, the primary focus for management teams has been on operations. Everyone is exhausted from dealing with crisis-like staffing and recruiting efforts, supplier interruptions, strained cash flows, and changing local and national Covid mandates and recommendations.

While everyone is tired, it is important that both franchisors and franchisees not neglect long-term plans and planning opportunities and prioritize the evaluation and review of their estate and succession plans. This is especially true now, with business valuations in flux because of the pandemic and potential impending tax reform in Washington. Companies and franchise owners should review capital structures with debt and equity partners and ensure alignment around the planning and execution of potential exit strategies in conjunction with succession plans.

Franchise owners have all been significantly affected by the pandemic. In many cases owners are still managing through decreased cash flows as their businesses have not fully recovered. Some declines are staffing-related, others are specific to certain segments more negatively affected than others. These include full-service dining, health and fitness, and other businesses where customers congregate in defined indoor locations.

On the other hand, businesses with drive-thru access, state-of-the-art digital platforms, and early and innovative adapters of enhanced takeout and delivery platforms thrived. These shifts within the market can have a material effect on the timing and execution of a successful succession plan.

As an initial step, franchise owners should review current business valuations and capital structures. A lot has changed during Covid. Some owners are more eager to sell, others are taking a longer view of their brands, portfolios, and expansion opportunities. In businesses with multiple partners or institutional ownership, exit parameters and the outlook may have changed.

In some segments, banks and capital providers will support continued growth with modest equity or embedded equity. In others, growth will be more challenging and require a more significant equity component. In challenged brands with uneven performance, a sale might now require partial financing by the seller. If your company is in expansion mode, ensure that lenders will support your efforts. Financial institutions and capital partners also were affected by the pandemic.

As franchisees and brand owners review alternatives, one of the primary inputs is where the owner is in the life cycle of their business. Is the owner in a position to sell, financially and emotionally? Does the business have financial partners, and how do their timetables and goals align? As owners evaluate alternatives, there are three primary options to consider when assessing succession planning and liquidity event alternatives.

1. **Transfer of business to the next generation.** For family-owned companies, the best plan may be to hold onto the business and transfer it down to children or the next generation of ownership. Often the goal is to transfer ownership in a business to children over time through gifting, with as minimal a tax impact as possible to the owner's estate. Based on uneven performance throughout Covid and continued uncertainty around future variants, for businesses adversely affected by the pandemic, now may be an ideal time to take advantage of dips in valuations and to make a gift of an interest in the business and/or accelerate future gifts for tax purposes.

   Other factors to consider when deciding whether transferring your business to the next generation include: Do they even want to run the family business? And do they have the skill sets to continue to successfully operate it? The last thing any owner wants to see is their business fail in the hands of their children and for value to be lost, when a better alternative would have been to sell to a third party.

2. **Partner buyouts.** For businesses with multiple shareholders or partners, another succession planning alternative is for an owner to transfer or sell their interest to one or more of the remaining shareholders or partners. This can be an ideal solution when individuals in ownership groups have different investment timelines and/or goals. Planning and execution of partner or shareholder buyouts can also be done with much greater certainty around timing and value, as deal terms can be agreed upon ahead of time and are not dependent on the unknowns of a third-party buyer. Valuation, though, can be tricky. Is the business valued as a going concern, or as it would be in a sale to a third party? If real estate is involved, liquidity events can be bifurcated between enterprise and real estate assets. The flexibility of real estate alternatives and more definitive valuations often can be used to find a solution. Plan a timeline for approaching your partner(s) and getting a sale done. Propose a solution; plan before approaching other stakeholders.

3. **Third-party sale.** Running a process to maximize value in a third-party sale may represent the best alternative for companies and franchise owners. While current franchise M&A market conditions vary widely across brands, geographies, and industry segments, the continued strong performance of some brands throughout Covid, with increasing sales and expanded margins, has resulted in higher valuation multiples and broader pools of buyers. Increased franchisor involvement in buyer selection makes planning for franchisor approval often the most critical component of the M&A process. When do a seller and buyer involve the franchisor, and at what level?

Regardless of the ultimate path or combination of paths a company or franchise owner chooses, it is important to have a succession plan in place and to continue to reevaluate that plan in light of changing business and market conditions. ■

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.

Buying Time

How will inflation affect your business?

Written By
DARRELL JOHNSON

As you begin to plan for 2022 and beyond, you now have another consideration. It's been so long since we've had inflation concerns, it's time to understand what that means for the economy, business, and your company's profitability. As I noted in FRANdata's annual economic forecast presentation at the Multi-Unit Franchising Conference in early September, there is a high likelihood we will have rising interest rates in the coming months and years.

Most economists are predicting a moderate rise in inflation. Perhaps. However, we are in the midst of a huge stimulus flood of government-issued debt, not just in the U.S. but across the world. We have serious and continuing supply chain bottlenecks that now are more likely to take years rather than months to resolve because of the difficulty of overcoming the pandemic, especially in the developing countries we depend on for so many inputs. Domestically, we are having what appears to be a more permanent shift in labor availability that adds pressure to rising wage rates. I find it hard to assume all this is a temporary combination of events.

Inflation (simply defined as rising prices for products and services) within a reasonable range isn't inherently good or bad; rather, it's a matter of perspective. For some businesses, inflation could force a rise in their product/service prices in the short term to combat higher input costs that would otherwise lead to a loss of profitability. In turn, those actions might contribute to a competitive loss in customers and therefore revenue. For others, it could be a benefit, spurring activity in their industry that would not otherwise occur if prices were lower (think residential real estate agents).

Buffering against inflation

Let's assume we have more inflation than is currently anticipated (which I believe is a reasonable assumption). With rising input costs, including wages, what are your options? The pandemic has pushed many toward a solution to a significant aspect of inflation pressures: increased productivity. Because you couldn't (or weren't allowed to) run your business units normally, you improvised. This meant engaging customers differently. You invested in technology solutions to a much greater degree than you had planned on. Sure, many of you were on an evolutionary path of capital investment to gain efficiencies. The pandemic accelerated the need to do so. Evolution became revolution. And that is how you are building a buffer to some of the negative consequences of inflation.

Two more factors

You have been encouraged to do so because of two other consequences of the pandemic: 1) dramatic changes to the labor pool, and 2) long-term changes in consumer behavior.

Regarding labor, it's not at all clear how the post-pandemic labor force will look. We're seeing accelerated retirement of the Baby Boomers, and we're seeing a shifting set of interests and motivations from members of Generation Z. We're also seeing difficulty in getting second household income employees out from under childcare responsibilities as part of the work/life balance that includes WFH challenges. The labor pool is in flux and it's far more complicated than a simple rise in wage rates.

As I've noted previously, consumer behavior is something to pay close attention to in the coming years. The pandemic has forced changes in behavior, and some of those changes will not revert. Consumers are now accustomed to product and service engagement in different ways. Each of you is now confronted with making investments with a 5- to 10-year payback—and with much more uncertainty of what customers actually might want 2 or 3 years from now.

Capital ideas

The labor and consumer behavior implications of the pandemic create an opening for you to make strategic capital investments. Using technology to reduce labor requirements has now become more attractive because consumer behavior is more accepting of that substitution. And now you have another reason to increase your capital budget: a buffer from some of the consequences of inflation.

Most technology investments are a scale issue. You can't afford to do a lot off a low use base. But multi-unit operators have a bigger base from which to spread those costs. (I suspect you will also partner with other multi-unit operators or suppliers to do even more.) Added to the pressure from labor challenges and the willingness of consumers to embrace such substitutions, you now have the need for increased productivity coming from likely longer-term inflation pressures. All these add up to a much greater focus on productivity, and that means bigger capital budgets.

Perhaps the adage "This time it's different" really does apply this time. The pandemic is handing you an opportunity. Now you have an additional justification for focusing on capital investments. With inflation likely to be an issue over the next few years, I suggest you consider planning in the context of this longer-term set of implications to your business. ■

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

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