Multi-Unit
Franchisee

Q1 | 2022

TEAM BUILDER EXTRAORDINAIRE

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$857K
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Average Second Year Gross Profit for Top 25 Stores

Entrepreneur FRANCHISE 500® RANKED 2022

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*As published in Item 19 of our FDD dated May 14, 2021, as amended September 22, 2021, these figures represent the average total revenue and gross profit (total revenue, minus cost of goods sold) for the top 25 of 281 out of 434 US franchisee-operated UBREAKIFIX stores from Jan. 2015 through Dec. 2020. Average second year total revenue for the top 25 stores was $857,376 (median $783,731). Average second year gross profit for the top 25 stores was $502,654 (median $463,089). Of the 25 stores included for the second year, 11 (or 44%) attained or exceeded the average total revenue and 11 (or 44%) attained or exceeded the average gross profit. Average second year total revenue for the bottom 25 stores was $208,815 (median $212,690). Average second year gross profit for the bottom 25 stores was $134,269 (median $139,529). Of the 25 stores included for the second year, 15 (or 60%) attained or exceeded the average total revenue and 14 (or 56%) attained or exceeded the average gross profit. You should review our FDD for details about these numbers. Your results may differ and there are no assurances you will do as well and must accept that risk.

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**Captain D's company-owned restaurants do not pay royalty fees (currently 4.5% of gross sales).

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YOUR BEST SELF

Building success by building his team

Written by **KERRY PIPES**

JASON DAY, MANAGING OWNER

Company: **NV Ventures**
No. of units: **12 open, 4 under construction, signed for 8 more**
Age: **38**
Family: **Wife and two sons**
Years in franchising: **16**
Years in current position: **1**

Jason Day believes people should be comfortable with who they are and strive to become the best version of themselves they can.

"It seems simple, but the moment you stop trying to fit yourself within a mold and allow yourself to be the best version of you is when you can truly succeed and focus on the goals ahead," says the Penn Station East Coast Subs multi-unit franchisee.

The 38-year-old started his career with Penn Station in 2005 as an assistant manager. Two years later, at 24, he stepped up into the role of multi-unit manager. Day says that challenge created a lasting love for both Penn Station and the restaurant industry.

After that, he spent time as an area supervisor for Arby's and as an area director for Salsarita's Fresh Mexican Grill before rejoining Penn Station. In 2020, he became managing owner of NV Ventures, which operates 12 Penn Station restaurants in the Greater Nashville area. The company has four more under construction and a development agreement for another eight.

Covid doesn't seem to have slowed him down any. He opened four stores in four consecutive months to end 2020 and begin 2021. And he's quick to give credit to the brand for all its support in making that happen.

If you ask Day about his passion as a business owner, he'd say, "People!" He wants to help his team members grow and achieve success. "We focus on developing our team and helping them become the best version of themselves. The results of quality product and customer service will take care of themselves." After all, he

says, "What business wouldn't want 100% of their employees trying to be the best version of themselves taking care of their customers?"

What's next for Day and NV Ventures is adding another four to five new locations this year. "Creating brand awareness in the area will not only help our stores, it will bring more national recognition to an amazing concept," he says.

PERSONAL

First job: Walmart cart pusher.

Formative influences/events: Time spent as an area supervisor at Arby's taught me, a young multi-unit manager, how to be successful in the role. When I returned to Penn Station, I was able to take what I learned there to excel in my career.

Key accomplishments: Seeing the people I have worked with succeed. There is no bigger accomplishment in my life than seeing the successes of those individuals. These successes have come with Penn Station, and some have come from individuals seeking out their own dreams outside of Penn Station. Having someone say they are thankful that I was a part of their journey has had as much impact on me as any accomplishment can ever have.

Biggest current challenge: Adjusting to the next challenge is what becomes the biggest challenge in today's environment. Over the past 2 years, something is constantly being thrown in our direction to adjust to—and as soon as you adjust, here comes the next.

Next big goal: Become the largest Penn Station franchisee.

First turning point in your career: Given the opportunity to be a multi-unit manager with Penn Station at the age of 24. It challenged me and allowed me to fall in love not only with the Penn Station brand, but with the restaurant industry as a whole.

Best business decision: Moving to the Nashville area.

Hardest lesson learned: Not everyone will be me. Early in my career I tried to hold people accountable to doing things as if they were me. I learned quickly that was a poor way to lead. I adapted to change and now understand that both myself and the team are better served by helping them become the best versions of themselves.

Work week: Early to bed and early to rise.

Exercise/workout: I try to get in a workout at home two to three times a week in the mornings.

Best advice you ever got: "Be you." When you become comfortable with who you are, your strengths as well as your weaknesses, then you can truly work on improvement. People comfortable with who they are can help others become better versions of themselves.

What's your passion in business? People! Helping those on my team be the best versions of themselves. You build your brand and business through people. If I wake up every day knowing our team's goal is to help improve the person next to them, it will ultimately improve our business. Improve your people and improve your business.

How do you balance life and work? I look at my career as part of who I am, just as I am a husband, a father, and a friend. I prioritize my time to make sure I fill the needs of all those roles. I love what I do, so I never feel like I work a certain number of hours or times during a week.

Guilty pleasure: Sweets.

Favorite book: *It's Not About the Coffee: Leadership Principles from a Life at Starbucks* by Howard Behar.

Favorite movie: Any movie based on real-life events.

What do most people not know about you? My taste in music is all over the place.

Pet peeve: Repeating myself.

What did you want to be when you grew up? Science teacher.

Last vacation: Gulf Shores, Alabama.

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

MANAGEMENT

Business philosophy: People First. The most important person in the building is the team. Without a team there are no customers and there is no business.

Management method or style: Servant leadership is how I describe my management style. My goal is to lead my team by setting the example and giving them the tools to be successful. We are in this together, and my role with our company is to not get in their way of being successful and to give them the tools to meet and exceed their goals.

Greatest challenge: Since the start of 2020, this has been a moving target for most in this country. The greatest challenge I feel now is staying proactive to what may happen next. I try to stay one step ahead of the trends or what may be coming our way. Since the start of the pandemic, the industry has been forced to be reactive or to wait and see what may change next.

How do others describe you? Confident would be the number-one word I would expect most to say when describing me. No matter the situation, most would feel I have the answer or suggestion to help them or the situation.

One thing I'm looking to do better: Continue to help develop my operations directors, allowing them to become great multi-unit leaders within our organization. Working through them will help us grow a great team culture.

How I give my team room to innovate and experiment: I let my team be themselves. As a franchise system, we have certain rules or procedures we must follow to be operationally compliant with the franchisor, leaving us to allow our team to be themselves within those confines. I let the team explain the "why" to their innovations or thoughts. Not every idea will get implemented, but there should be a place everyone feels their idea will at least be heard.

How close are you to operations? As someone who started from a cart pusher at Walmart to the role I am in now, being hands-on will never stop. I will always have a presence within our stores to allow our team to feel comfortable in approaching me with ideas or concerns. Being present within the operation is very important to me. It allows me to give my opinions when talking through situations with our operations directors, general managers, or corporate representatives. As someone who has held every role within our company, I am always willing to help or point our team in the right direction to help them succeed.

What are the two most important things you rely on from your franchisor? As the fastest-growing Penn Station franchisee, I found the support from our franchisor to have been very helpful. Without their help, opening four stores in four consecutive months to end 2020 and start 2021 would not have been possible. The franchisor also does a great job negotiating product pricing for the franchisees to help keep our product cost reasonable, even in current times.

What I need from vendors: Communication, especially today when we all have challenges. Communicate your challenges so I'm not holding you to a standard you can't meet.

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Have you changed your marketing strategy in response to the economy? How? Our marketing strategy hasn't changed much for what we traditionally try to do. Knowing that our products exceed other, comparable products, our goal is to get people to try ours. We have continued to do this through local schools, digital media, and print. I feel confident that if we can get you to try one of our sandwiches you will find yourself hooked.

How is social media affecting your business? Social media has made the world a much smaller place and allowed us to communicate more easily. When trying to grow a brand in a newer or unaware market, it allows our brand to become much more present in everyone's daily life.

How do you hire and fire? Today's labor market is tough, and the old saying "Hire slow, fire fast" isn't quite as correct as it used to be. Several years ago, I would preach two interviews and have a set orientation date for our team on new employee start dates. In today's environment, hire slow is out the window as companies are spending more money to recruit employees than customers. To find employees today, it's a game of who gets to them first. If you aren't hiring at the interview, then someone else is, and they won't be back. When a general manager says a job candidate "ghosted" them on the interview, I remind them, "Nope, someone just beat you to the job offer." It's still key to be selective and not add someone to your team who will create problems. This leads to the second part of that phrase. "Fire fast" is still as true as ever. A good team will continue to work hard if they feel they are appreciated and rewarded for it. But if you allow someone who isn't pulling their weight to stay, it will cost morale, productivity, and employees.

How do you train and retain? Retaining is about providing a work environment that people can feel proud of and feel they are making a difference. Today, employees want to be part of something bigger than themselves and feel they are helping to accomplish something. We are growing a brand in the Greater Nashville area, and every member of our team is helping. They are all part of something bigger than themselves. One day they can tell others they worked in that store when it first opened, or when no one knew Penn Station. We educate the individuals in our company to the significance of what they are doing as we build a brand in this region. Another way we help accomplish this is explaining the "why" in our training process. If our team better understands why we do what we do, it will allow them to buy into our brand. We don't approach our training as executing a task, but more as executing a culture.

How do you deal with problem employees? Employees who aren't providing the work environment we expect for our team simply don't need to be a part of our team.

Fastest way into my doghouse: Making me repeat something that has already been asked.

COVID-19

How has Covid-19 affected your business? Covid presented many challenges throughout the past 2 years. We have experienced closed dining rooms, product shortages, staffing shortages, government mandates, and everything that has come with that.

How have you responded? Penn Station stayed true to what we do. Subtle changes were made from a corporate level to help franchisees adjust to what was happening. We did not get away from what we do. This allowed me, as the franchisee, to effectively operate my business through the uncertainty.

What changes do you think will be permanent? The use of third-party services. Penn Station had not entered this realm before

Covid. With consumer trends changing, I believe the idea of third-party services for our concept is here to stay.

BOTTOM LINE

Annual revenue: $8 million.

2022 goals: Continue people development in our current locations. We plan on adding four to five new locations in the coming year. Both of these goals will lead to the main goal of building brand awareness in our region.

Growth meter: How do you measure your growth? In our rapid development plan in the Middle Tennessee area, we are measuring our growth by how many additional locations and jobs we create. Through both of these means we are creating brand awareness for Penn Station that will lead to the success not only for the brand, but also for our employees.

Vision meter: Where do you want to be in 5 years? 10 years? Our goal in the next 5 to 10 years is to become the largest Penn Station franchisee in the system.

Do you have brands in different segments? Why/why not? My focus is on the Penn Station brand and building it within the Greater Nashville area. This brand is special to me and I love everything about it. The privilege I have to be the ambassador of the Penn Station brand to this area deserves my complete focus.

How is the economy in your region affecting you, your employees, your customers? The economy around the Nashville area is booming. That said, it is experiencing issues similar to those all around the country with inflation, staffing, and Covid uncertainty. All these things have led to revisiting employee wages, pricing, and looking for ways to be more efficient.

Are you experiencing economic growth in your market? The Greater Nashville market is one of fastest-growing markets in the country.

How do changes in the economy affect the way you do business? Penn Station does a great job of knowing who they are and staying within themselves during changes. This allows me as a franchisee to know that any changes are well thought out and meant to improve my operation as a franchisee.

How do you forecast for your business? For stores already open, we look at trends from previous years. With new stores, we look at the area and compare them to stores with similar demographics and how they are performing.

What are the best sources for capital expansion? We have a great long-term relationship with a smaller regional bank that has been great to work with. We have used them for many years, and they have been a wonderful partner to help with our current expansion and the development growth plan within the brand.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We have found a perfect partner for our company: a small regional bank that totally believes in our group and our brand. They have helped us along the way more as a partner than as a typical banking relationship. We haven't had any experience with private equity or much larger banks.

What are you doing to take care of your employees? Employee retention is a big deal in today's world, especially when so many companies are spending money on signing bonuses and other promotions to recruit new employees. What has been forgotten is the people who already work for you. We have approached this through flexible scheduling and pay rates that allow employees to make more money if they work more hours. We also try to allow

our employees to be themselves through ordering and wearing Penn Station merchandise while working—and by providing support for our employees to not feel like what they are doing is just a job, but more of a team environment that has us all working to the same goals.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We are addressing these through a pay structure that rewards those who want to work more with higher pay rates. Typically, team members who want to work more are better trained and more experienced. Hopefully, this pay structure allows us to be more efficient with fewer team members on staff for a given shift because of the higher quality of people working that shift. Pay better people more and need maybe one less person on a shift to create the same level of production. Also, an increase in web ordering and third-party ordering has freed up employees' time taking orders at registers, allowing us to be more efficient when making the product.

What laws and regulations are affecting your business and how are you dealing with them? With Covid, many regulations have been (or attempted to be) put in place over the past 2 years. We adjust to them accordingly to make sure we are meeting any requirement asked of us. We haven't tried to deviate from what we do that has made our brand successful. We adjust these rules to meet requirements without compromising what we do as a brand.

How do you reward/recognize top-performing employees? We do employee of the month programs for our in-store employees and choose one overall employee of the month and share that with the team. We place this in our newsletter that we send to all stores and share other wins we have as a team as well. We want all our employees to share in everyone's success.

What kind of exit strategy do you have in place? The exit strategy hasn't been a thought as I am early in the market development to hopefully bring 30 to 40 Penn Station locations to the Greater Nashville area. As we build this brand in the area we will see where it leads us. ■


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INVEST IN A
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THINKING BIG!

350 restaurants and shooting for 600

Written by **KERRY PIPES**

GARY A. ROSE, PRESIDENT AND COO

Company: **Meritage Hospitality Group**
No. of units: **345 Wendy's, 3 Stan's Tacos, 2 Morning Belle, new 50-unit development deal with Taco John's**
Age: **59**
Family: **Wife and four children; oldest daughters are identical twin girls**
Years in franchising: **17**
Years in current position: **5**

Gary Rose thinks big.

As the president and COO of Meritage Hospitality Group, he oversees 350 restaurants, primarily Wendy's, that bring in annual revenue of more than $575 million.

So what's next for Meritage Hospitality? "In 5 years, our target is to own and operate 600 restaurants," says the 59-year-old. Now that's thinking big!

To help achieve that goal, Rose says the company has been diversifying with its own concepts, Morning Belle and Stan's Tacos, and inked a massive deal last summer with Taco John's. Under the new area development agreement, Meritage will build 50 new Taco John's by spring 2026, with options to develop an additional 150. Rose says Meritage expects to invest as much as $100 million in the initial 50-store rollout.

It's a big challenge, but Rose is quick to point out that in 2009, Meritage had 50 restaurants and set a goal a goal to grow to 150 by the end of 2015. "We reached that goal 11 months early and have been growing steadily ever since," he says.

Rose has been with the company 17 years, coming aboard as CFO. Five years ago, he took on the roles of president and COO and today oversees a company with more than 11,000 employees in 16 states.

In 2022, Rose says, he wants to see the company end the year with 380 restaurants in operation and see revenue rise to $650 million.

PERSONAL

First job: My very first job was at a blueberry farm, but my first professional job was with Deloitte & Touche, which was my "big break" coming out of college.

Formative influences/events: One of my biggest influences was working with private equity firms. I learned both structure and discipline, how to establish 5-year plans, and what to do to achieve them.

Key accomplishments: I came from a large family and was the first to graduate college— Cedarville College, a small college in Ohio.

Biggest current challenge: Our biggest current challenge (and opportunity) is aggressively launching Taco John's restaurants and our own new brands.

Next big goal: Our 5-year plan is to own and operate 600 restaurants.

First turning point in your career: My first career turning point was getting hired by Deloitte & Touche in Grand Rapids. It was very hard work, but also a really great experience.

Best business decision: Joining Meritage and launching our first business plan to grow from 50 to 150 restaurants. That decision has made a huge difference in our company.

Work week: I am at the office about 45 hours a week, but my mind often is on work issues outside the office.

Exercise/workout: I enjoy mountain biking and running.

Best advice you ever got: "Pigs get fat, hogs get slaughtered." This means that deals happen where everyone wins; it's not about one person winning over another. The way I think about it, a deal should be beneficial for all involved.

What's your passion in business? I like to build things, specifically, restaurants, brands, and teams. I particularly enjoy building teams, creating opportunities, and seeing our people flourish. This is what makes Meritage a perfect fit for me.

How do you balance life and work? It can be challenging. I have a family and a 30-mile commute to work. The commute helps me separate work and home life, allowing me to have creative time and plan my work.

Guilty pleasure: Chocolate-covered almonds.

Favorite book: *Mere Christianity* by C.S. Lewis.

Favorite movie: I have two: "Ferris Bueller's Day Off" and "The Wedding Singer."

What do most people not know about you? My creative side. Launching brands and building restaurants allows me to tap into my creative side more than others may realize.

Pet peeve: People who won't take responsibility, or who avoid accountability.

What did you want to be when you grew up? When I was four or five, I wanted to be a cement truck.

Last vacation: Aruba with my wife. It is one of our favorite places to go.

Person I'd most like to have lunch with: I would love to have lunch with U of M football coach Jim Harbaugh. I would like to explore what makes him tick and how he continues to motivate his team in the face of adversity.

MANAGEMENT

Business philosophy: My business philosophy is to take calculated risks. Once you have well-thought-out plans, it's time to take some risk and do the hard work to make them happen.

Management method or style: "Trust but verify." I typically manage very closely until someone earns my trust. Once trust is earned, I am ready to let go and let folks run on their own.

Greatest challenge: Our toughest challenge as a company was growing from 50 to 150 restaurants. In 2009, our goal was to reach 150 restaurants by the end of 2015. We reached that goal 11 months early and have been growing steadily ever since.

How do others describe you? People would say that I am focused and hard-working. I love what I do and have a passion for the business.

One thing I'm looking to do better: It can be a challenge to keep a vibrant culture with Covid affecting workplaces and people not all working in the office at the same time. We're needing to explore additional new ways of sustaining a fun, growing, and invigorating work culture in an untraditional setting.

How I give my team room to innovate and experiment: I like to set large goals, let my team figure out how to achieve them, and then celebrate large wins.

How close are you to operations? I used to be much closer to operations on the Wendy's side, but right now I am working much more closely with the launch of our new brands.

What are the two most important things you rely on from your franchisor? Product innovation and facilities innovation.

What I need from vendors: We need the fundamentals: quality and on-time delivery of things we have agreed on.

Have you changed your marketing strategy in response to the economy? How? A lot of our strategy has changed as a result of Covid. Our focus is much more on customer convenience, technology, and for Wendy's, on our drive-thru windows.

How is social media affecting your business? This is where a lot of our growth is coming from and where we are putting most of our money right now. We are focusing on using apps for promos, rewards, and for making it easier for our guests to access our brands.

How do you hire and fire? We have a substantial recruiting team focused full-time on keeping our 11,000 positions filled across the 16 states where we do business. We use technology to make us more accessible for candidates to apply, making the process as easy as possible. We would never want to turn potential employees away by being inaccessible.

How do you train and retain? We have a lot of training programs. We focus on flexible scheduling, fair pay, and rewards and recognition.

Fastest way into my doghouse: Lack of accountability. I want people to follow up on what they say they will do.

COVID-19

How has Covid-19 affected your business? A lot of our office personnel are working from home, so for a lot of our employees that is a big change. In our restaurants, drive-thru windows have become very significant as many dining rooms were closed for long periods. Staffing has been very unpredictable, but, for the most part, our guests have been more understanding if a restaurant is closed temporarily because of staffing, for example.

How have you responded? We have an increased focus on the pickup window. We also have increased wages to find and retain employees, offering them flexible hours, simpler application processes, and keeping them as safe as possible with protocols, proper PPE, and sanitation procedures.

What changes do you think will be permanent? There will continue to be some office work from home for the foreseeable future. We will make sure safety and sanitation procedures in our restaurants continue to exceed expectations, while continuing to provide the service and convenience our customers have been enjoying. We believe restaurant hourly wage increases and more flexible work schedules will remain beyond the immediate impacts of Covid.

BOTTOM LINE

Annual revenue: Our 2021 annual revenue was $575 million. For 2022, we expect revenues of approximately $650 million.

2022 goals: To end the year with 380 restaurants in operation.

Growth meter: How do you measure your growth? Primarily by number of restaurants, revenues, and earnings.

Vision meter: Where do you want to be in 5 years? 10 years? Our target is to own and operate 600 restaurants in the next 5 years. We typically plan only in 5-year increments.

Do you have brands in different segments? Why/why not? The bulk of our restaurants are Wendy's, so we wanted to work with Taco John's to diversify our portfolio with another QSR. We do have two of our own internally developed brands: Morning Belle and Stan's Tacos, which we also plan to grow.

How is the economy in your regions affecting you, your employees, your customers? We've seen 10–15% sales growth in the last year, but commodities have increased 10–12%, and wages are up 20%. But overall, the economy is strong and growing.

Are you experiencing economic growth in your market? Yes, sales are up 10–15% from continued strong Wendy's performance and pricing adjustments because of inflation. We anticipate continued inflation in 2022.

How do changes in the economy affect the way you do business? People tend to trade down to QSR when times are tough because they want affordable, convenient food. For one of the first times, we are seeing trends where grocery and home meals are exceeding QSR restaurant prices.

How do you forecast for your business? We prepare detailed 5-year plans followed by annual operating plans. We also prepare detailed annual plans for all the restaurants, and every restaurant-level general manager is measured and incented to that plan.

What are the best sources for capital expansion? Cash from ongoing operations, debt financing, and equity when engaged in a significant acquisition opportunity.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We did a major refinancing in 2020 with a large national bank. We typically work with large banks that understand the restaurant and franchising model.

What are you doing to take care of your employees? We offer extensive training, growth opportunities, and flexible schedules. We recently launched a large Christmas care package to surprise our general managers. In our Restaurant Service Center, we prepared 350 care packages (one for every general manager in our company) made up of logo wear, gear, candies, and a personalized note. This was an expression of our appreciation for all they are doing to take care of our guests in what has been a very challenging operating environment.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We are raising prices where it makes sense. We are continually challenged to look at every line item in our business to make sure it is being managed as well as possible.

What laws and regulations are affecting your business and how are you dealing with it? When Covid first hit, we immediately assembled a team responsible for handling all Covid cases, interpreting local guidance, and providing guidance to all our restaurants across the 16 states we are operating in. In the first 12 months of the Covid outbreak, this team dealt with more than 600 governing guidance issuances across those 16 states.

How do you reward/recognize top-performing employees? We have many ongoing growth opportunities, so we reward top-performing employees with ongoing advancement opportunities. Employees can also be awarded bonuses, and may be recognized in company publications or in the Wendy's franchise system as a top U.S. operator.

What kind of exit strategy do you have in place? We are not planning on selling our business any time in the foreseeable future. Our plan is to hold the company long term and, maybe one day, go full public if and when the timing is right. For now, our focus remains on sustainable growth. ■

FUEL, CONVENIENCE, AND FOOD

Appalachia's King of the C-stores branches out

Written by **KERRY PIPES**

GREG DARBY, PRESIDENT

Company: **Little General Stores**
No. of units: **115 Little General Stores, 25 Subway, 15 Arby's, 15 Godfather's Pizza, 7 Dunkin', 7 Burger King, 5 Taco Bell, 1 Teriyaki Madness**
Age: **64**
Family: **Wife Darlene, sons Dustin and Cody**
Years in franchising: **Since the mid-1980s**
Years in current position: **Since 1999**

If you're traveling across West Virginia, chances are you'll run across one of Greg Darby's stores. That's because the 64-year-old entrepreneur operates 115 Little General convenience stores offering customers everything from Dunkin', Taco Bell, and Subway eats to Marathon, Exxon, and bp gasoline.

"We stick to what we know," says Darby. "Fuel, convenience, and food. That is what we are good at."

He's been good at the franchising business since the mid-1980s when he began working for the Little General Stores organization. He purchased the company outright in 1999 and has quadrupled its size to $400 million in annual revenue. These days he and partner Cory Beasley steer the ship together, offering fuel for travelers and serving food from Dunkin', Burger King, Taco Bell, Arby's, Subway, and Godfather's Pizza.

Most recently, Darby signed with Teriyaki Madness for five locations and opened his first in December. He's excited about this new development deal. "We just opened another Little General store in Fairmont, West Virginia with an Arby's on one side and a Teriyaki Madness on the other. We're going to be spending a lot of time growing Teriyaki Madness. It's a great brand and opportunity for us."

With 25 years in franchising, Darby has learned the importance of community involvement. His locations support everything from local sports teams and West Virginia college athletics to the Make-a-Wish Foundation and Children's Miracle Network.

PERSONAL

First job: Construction, first job out of college. One of my accounts was four Little General Stores.

Key accomplishments: Bought the company and quadrupled the size. Lots of philanthropy work for kids.

Biggest current challenge: Hiring good staff.

Next big goal: Continue to develop people and watch them grow.

First turning point in your career: Getting the job at Little General, then purchasing the company after working there for 19 years.

Best business decision: Purchasing the company!

Hardest lesson learned: Trusting people. But I have a lot of life lessons and I try to pass them on to our younger employees.

Work week: Business is 365, 24/7 so we are there when needed.

Exercise/workout: Yes, cardio and bands.

Best advice you ever got: If you don't understand something, ask questions.

What's your passion in business? Helping and developing people.

How do you balance life and work? Hunting, fishing, and sporting events. I make time to do these things with family. I just went on a South Dakota deer hunting trip with my grandson. I like to travel for sporting events. I try to make the time.

Guilty pleasure: No. I deserve what I get, so I try to remain humble and not feel guilty.

What do most people not know about you? I have a big heart.

What did you want to be when you grew up? An athletic trainer for an NFL or college team.

Last vacation: South Dakota deer hunting trip with my grandson.

Person I'd most like to have lunch with: No idea.

DADDY'S CHICKEN SHACK

Servin' Up Good Livin' and Better Chicken™

Co-founders Chris Georgalas and Chef Pace Webb

Designed by Harrison

www.daddysfranchising.com

Our Story

Love and fried chicken go together as well as the two people who built Daddy's Chicken Shack™. The classic fried chicken sandwich has been lovingly perfected by Chef Pace over the years, and it was time to find a way to serve accessible, authentic, inspired creations to the chicken-loving public. Starting out with a small stand at Smorgasburg, a weekly food festival in downtown Los Angeles, gave the couple all they needed to know about perfecting the recipes. Opening the first Daddy's in Pasadena California they delivered high quality chicken sandwiches to hungry customers "quickly." Now, through a regional franchise program with existing food service operators, Daddy's Chicken Shack is ready to spread its wings!

Our Food

Daddy's Chicken Shack believes in simple, high-quality ingredients that tastes just like a warm hug! Our menu is inspired by Pace's upbringing in Texas and from her travels abroad. We brine our birds overnight in buttermilk and aromatics then double batter before frying to golden crispy perfection. Our menu features our proprietary method of producing mouthwatering Daddy's fried chicken that delivers a sensation for your mouth in every bite. We also offer chicken 'n' waffles, Nashville tenders and sandwiches, fries, salads, a complete breakfast offering with biscuits, burritos and the Waffle Daddy along with vegan options! A full line of in-house, freshly made sauces enhance our entire line-up. We strive to give every guest the best possible experience!

Our Offer

As a chef inspired, fast casual concept with QSR speed we are dedicated to the highest quality, a cut above your average chicken place. Featuring a Harrison designed facility that integrates the heritage of our founders and the latest technology, we are ready for customers on foot, by phone, in cars and homes looking for an exceptional culinary experience. Our franchise model is designed for existing multi-unit franchise operators looking for a chicken concept for their portfolio that can take the market head on. We provide a turn-key program with fully designed prototypical drawings, a learning management system to train your teams and keep them current, generous territories with a marketing playbook to build your customer base, and a menu designed for today's consumer. Daddy's Chicken Shack isn't for everyone… just those that want to use the latest tools and technology to provide the best chicken sandwiches and fixin's to an increasingly choosy marketplace. Early adopter incentives in place for qualified developers including reduced territory fees, franchise fees and royalties. Just like our menu at Daddy's this is a franchise where you truly get what you pay for!

To learn more about the Daddy's Chicken Shack franchise program contact Dr. Ben Litalien, CFE at 844.4DADDYS or ben@daddysfranchising.com

MANAGEMENT

Management method or style: I like to empower my people; they set their objectives and I don't get in their way. No micromanagement. They know their objectives and they reach them. And I compensate them for this.

Greatest challenge: People, finding and keeping quality people. This is a high-turnover business and people are the biggest challenge.

How do others describe you? Fair, demanding, high expectations.

One thing I'm looking to do better: Not any one thing, just always looking to improve the whole picture.

How I give my team room to innovate and experiment: I empower them and challenge them to innovate and experiment. They bring me ideas and I encourage them to do so. I'm always open to new ideas! Open communication.

How close are you to operations? Very close, but not day-to-day on the street. I always keep my eye on it to understand and ensure the numbers and objectives are hitting. I'm not on the street making tacos, but I am looking at us and competitors and talking and listening to our people in the field. "It all starts on the street."

What are the two most important things you rely on from your franchisor? Quality product and procedures, and quality marketing. I need both to be successful.

What I need from vendors: Supply, innovation, feedback, and quality products.

Have you changed your marketing strategy in response to the economy? How? Yes. We have changed to be more digital, app-based, curbside, Grubhub, and delivery—a lot of things we didn't do pre-Covid.

How is social media affecting your business? Positively. We use it to support our efforts on promotionals and for congratulations. We're using it much more post-Covid.

How do you hire and fire? The HR department handles this. We use all sorts of avenues, but word of mouth is top. We have an incentive program for bringing on employees who stay.

How do you train and retain? With a whole training program from an outside firm and our franchisor training programs as well.

How do you deal with problem employees? We have a system and process that flows through HR.

Fastest way into my doghouse: Not doing what you are supposed to do. No follow-through or follow-up.

COVID-19

How has Covid-19 affected your business? Restaurants with no drive-thru were devastated by it; drive-thrus were a lifeline. Our delivery business before Covid was nonexistent, but it grew tremendously as a result. Interstate convenience stores took a big hit with lack of travel. Local C-stores increased as they became more of a grocery store as people were avoiding big box stores.

How have you responded? We have changed to be more digital, app-based, curbside, Grubhub, and delivery—things we didn't do pre-Covid. We installed shields and cleaning programs, which helped make our employees feel better about working. We did everything we could to make our employees feel safe and *were* safe.

What changes do you think will be permanent? Digital, app-based, curbside, Grubhub, and delivery will become the norm. I don't see it slowing down.

BOTTOM LINE

Annual revenue: $400 million.

2022 goals: I'm looking to open another few Dunkin's and several Teriyaki Madness sites with another C-store with a restaurant attached. Our new C-store in Fairmont, West Virginia has an Arby's on one end and a Teriyaki Madness on the other.

Growth meter: How do you measure your growth? Revenue changes, so in the restaurant business it's by sales and net profit.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, I just want to continue to grow and make sure we are having a good, steady annual growth, and that we grow smart. Teriyaki Madness is the one we plan to spend more time growing. This is why we picked it—it's a great opportunity to grow in bigger markets. In 10 years, the same thing: grow smart. I never plan to retire. I have my freedom. I'm not tied to a desk job.

Do you have brands in different segments? Why/why not? No, we stick to fuel, convenience, and food.

How is the economy in your region affecting you, your employees, your customers? Positively. It's as good as it's been for a while. It's coming back.

Are you experiencing economic growth in your markets? Yes.

How do changes in the economy affect the way you do business? Our business is quite recession-proof. We do better in a tougher economy. When times are tough, people switch to us. It does affect us and hurts, but not quite as badly as for others.

How do you forecast for your business? Year-over-year comparisons.

What are the best sources for capital expansion? Internal profit, local banks.

Experience with private equity, local banks, national banks, other institutions? Why/why not? National banks but no private equity. I haven't needed PE.

What are you doing to take care of your employees? Nothing specific, just always have their interest at heart. They are the keys to our success, so we are always looking at things we can do better for them.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We are paying it, we understand it, we figure out how to do it and get it done.

What laws and regulations are affecting your business and how are you dealing with them? They pop up all the time and we deal with them as we go. We put together a plan as a team and implement the plan to whatever is required for the situation.

How do you reward/recognize top-performing employees? Bonus programs.

What kind of exit strategy do you have in place? When our franchise agreement is up and things are good with the brand, we just re-sign and move on. This is determined by the market, and as long as it is performing we move forward. If it's the right decision, we upgrade and continue to operate the business. ■

SQUARE TALK.
SMART OPPORTUNITIES.

It's not often you get the chance to own and operate one of the most legendary restaurant brands in the country... but that's all changing. In honor of our 90th year in business, Krystal Restaurants is expanding like never before – with new restaurant designs, new markets and territories, and new chances to be in the driver's seat of your own success.

Juicy, hot-off-the-grill square sliders, steamed buns, crave-worthy shakes and sides, breakfast, late night, all night, priced right... there are so many reasons Krystal is the go-to spot for people who love real comfort food, real fast, and really affordable.

Iconic Food. Devoted Fans.

The kind of business formula that works well everywhere.

U.S. Franchise Units: 110
System Wide Sales: $306,802,570
Average Net Sales: $1,454,351*
Franchise Fee: $32,500

Total Investment: $450,000 - $1.4M
Royalty: 5% of Gross Sales
Marketing Fee: 4.5% of Gross Sales

Not Just Another Drive-Thru
While other QSR restaurants are offering more of the same-old, same-old, Krystal has reimagined our restaurants for audiences (and operators) who are hungry for more. Our newest restaurant designs include a small-footprint model that requires less space, less real estate investment, and less time to construct and open for business. New technologies are already in the works – like an AI drive-thru chatbot that makes menu recommendations, energy efficient appliances and lighting, state-of-the-art POS systems, online ordering tools, and more. It all makes staffing and running your restaurants simple, fast, and profitable to maintain.

Rapid Expansion Means Rapid Success
Our latest franchising goals include bringing Krystal restaurants to new markets in the United States and internationally – which means now is the best time to become a franchisee and claim your territory first. Former NFL pro Victor Cruz is partnering with us to open Victor Cruz's Krystal restaurants in New Jersey. If you want a Krystal in South Carolina, Virginia, Texas, Oklahoma, Missouri, or beyond, we want to hear about it!

Leadership That Listens
Krystal has revamped its corporate management team to give the brand and its franchisees the best leadership in the business. The Krystal leadership team is equipped to help you navigate the challenges of today's restaurant industry. We're with you every step of our franchise journey.

START AT SQUARE ONE.

Contact Melissa Hodge • Sr. Director of Franchise
727-709-3039 • Melissa.Hodge@Krystal.com

SOUTHERN ROCK STAR

McAlister's Deli's largest franchisee nears 100 units

Written by **KERRY PIPES**

DAVID BLACKBURN, CEO

Company: **Southern Rock Restaurants**
No. of units: **97**
Age: **58**
Family: **Married 37 years, 2 children**
Years in franchising: **25**
Years in current position: **10**

David Blackburn is reaching for 100.

His Tennessee-based Southern Rock Restaurants operates 97 McAlister's Deli shops in seven states, including Ohio, Indiana, Tennessee, and Georgia. That makes him the largest franchisee in the system. With more stores already in his pipeline and a 50-unit development agreement in his pocket, his quest for 100 is most likely to turn into 150. Last fall, Blackburn also had the honor of opening the 500th McAlister's Deli. Pretty good for a kid who started as a busboy at a Bonanza Steakhouse restaurant in 9th grade.

At 58, Blackburn has spent more than four decades in the restaurant industry. He's been everything from that Bonanza busboy to the CEO at a fine-dining establishment. He worked his way up the management ladder, becoming regional vice president of operations and vice president of business development of O'Charley's before owning and operating a small upscale Italian restaurant for several years.

"I avoided franchising for 16 years," he says. "I spent many years at several brands making other people lots of money." That stopped when he invested in his first McAlister's in fall 2011. He says he liked the food—and the fact that McAlister's had a great reputation in his area and was looking to expand there. "McAlister's sets itself apart from other fast-casual competitors with an expanded menu, table service, and emphasis on guest engagement," he says.

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Blackburn built his empire through a mixture of acquisitions and new store openings. Though he's "forging the path" to 150 McAlister's locations, Blackburn also is excited about the possibility of diversifying his portfolio. "We are exploring multiple pathways to growth if we can find something as compelling and strong as McAlister's," he says.

Today he is no longer routinely involved in day-to-day operations. However, he says, "I insert myself into calls and meetings when needed, and I make calls during my travel time." Blackburn says he plans to organically grow about 10 locations a year and perhaps pick up some existing locations if they fit his geographic strategy.

PERSONAL

First job: I started at Bonanza in 1979 as a busboy.

Formative influences/events: When I was in 9th grade, I had an older brother who was a football star. I played tennis instead, became a top-tier player in Nashville, and was being watched by colleges. I had a friend who was working at Bonanza and encouraged me to apply. The manager, Jimmy Conklin, interviewed me and I started working a couple of days a week, ultimately giving up tennis to work in the restaurant. The tennis coach from Belmont College helped me get a scholarship for academics, and I went to Belmont for a year before dropping out to work in restaurants full-time. I also worked in an accounting firm for 2 years during high school and during that college year. Today, I own my own restaurants and an accounting firm focused on franchise accounting.

Key accomplishments: I have a fantastic family. I have been married for 37 years. My wife and I actually worked at Bonanza together. We have two kids and two grandchildren, and both of our kids are part of the organization. My daughter is the director of HR, and my son is the integration manager for the accounting business. We have 97 successful McAlister's locations and more coming online, including a 50-unit development agreement.

Biggest current challenge: The biggest current challenge is supply chain: shortages, late trucks, missing product, etc. This makes things hard for our teams to serve our guests. Additionally, manpower is, and always has been, a challenge. Our industry is a people business, and we happen to sell food. Inspiring people to do a great job is job #1. We can trace every problem and obstacle to the lack of the right person in the right spot. Today, this is the hardest it has ever been. We have been shifting since pre-Covid to accommodate a different workforce and maintain our economics with seemingly more success than many of our competitors with all our dining rooms open.

Next big goal: We are posturing to become a portfolio company and want to bring on other brands in the next couple of years.

First turning point in your career: My first big break was when my GM asked me to stop bussing tables and become the dishwasher. The bus tubs were heavy, and I wanted to out-bus my fellow busboys. I am competitive at everything I do. This new position was exciting and I loved doing it. I was so excited that I went to Kmart and bought my own squeegee so I could clean the stainless in the area between racks. I have a great respect for dishwashers. A second turning point was deciding not to go to college and choosing to put all my energy into the restaurant industry. Additionally, becoming a GM and later a multi-unit supervisor were huge turning points. But the real break to elevate my opportunity was learning to develop multi-unit talent. Establishing a successful pattern of management and leadership has been incredibly important.

Best business decision: Investing in McAlister's Deli. I avoided franchising for 16 years and stayed in my role at O'Charley's for too long. I spent many years at several brands making other people lots of money. I wish I had understood franchising sooner. I could have grown faster.

Hardest lesson learned: People in the organization do not always react the same way that I do. My posture to start with was that what I do is successful, so I'll make other people do it the same way. And I learned that didn't work. I started to understand the path was less of a straight line and more of a guardrail. People have unique skills—some have stronger people skills, some have stronger business skills. However, they all have great skills to move our business forward. So I keep guardrails in place to do just that, to use those individual strengths to benefit our goals and protect the weaknesses. Forward is good. That is an important word in our business.

Work week: I work seven days a week. I hardly ever take a full day off. I am always connected. I am on the tip of the spear for many initiatives from a growth and development perspective. I am constantly looking at store data and metrics so I can ask the right questions. It's a passion. I am totally consumed by the restaurant business and what we do. I find this business so much fun and rewarding. I do it because I want to, never because I have to.

Exercise/workout: I walk 3.5 miles every morning, even when I travel. I like to do it in the evening as well.

Best advice you ever got: I was truly a product of trial and error and spent time watching people fail as well as succeed, learning from them both. I worked with Phil Hickey, former NRA president, and he noticed that I took lots of notes on scratch paper. He gave me a Day-Timer to make sure I was keeping my notes organized and insisted I show him how I was using it for months. This really taught me the power of organization. I used a Day-Timer for 35 years till my smartphone caught up with me. That Day-Timer still sits on my desk as a reminder. Steve Hislop, who was my president at O'Charley's, helped me understand that not everyone will behave like I do, and to find the strength in each person and protect the rest. This is how I developed the idea of the guardrails.

What's your passion in business? I love to win and love to compete. I like when people say something can't happen and I have the chance to prove them wrong. I like the challenge of turning a store around and driving impressive profits. If someone says I can't, I like to prove that I can. Competition is what helps drive me.

How do you balance life and work? I have a good partnership with my wife. She supports my busy schedule and helps keep our family close and involved. She watches our grandkids and brings them to the office in the afternoon. Additionally, "Have Fun No Regrets" is one of our mottos—to have more fun while working. This is actually part of the mission of Southern Rock Restaurants. All work trips should have fun. Our work family is a blast and a joy to be around.

Guilty pleasure: I like to golf when I can, and maybe a casino or two from time to time.

Favorite book: *The One Minute Manager* by Ken Blanchard.

Favorite movie: Any action movie with Bruce Willis, Mel Gibson, or Tom Cruise.

What do most people not know about you? I was born with lots of severe allergies, no dairy, no citric acid, no chocolate or bananas. I spent years being squeamish. I probably would have been voted the least likely person to be in the restaurant industry through my formative years.

Pet peeve: Lack of organization and self-discipline.

What did you want to be when you grew up? At first a popsicle man... mmm, all those free popsicles. Then work in a pizza parlor… all that free pizza. By the time I was a teenager it was hot rod cars and a desire to have my own business. I have lots of side hustle stories if you're interested.

Last vacation: Destin, Florida is my happy place.

Person I'd most like to have lunch with: Dolly Parton. She has done so much for her community and for children and is so much fun. It would be a blast.

MANAGEMENT

Business philosophy: I appreciate analogies and use mottos to help deliver our messages. One important motto is: "Must be present to win." Leaders need to be there to challenge, uphold, and manage the stores. If they aren't doing this, it will reveal a gradual slide into mediocrity. Leadership must be present to win. I also like to look through the lens of "effective and efficient." We put everything through this filter to grow our business at an accelerated rate: Effective at all the standards that will protect and grow our future business, then how efficient can we be at being effective. This varies by store.

Management method or style: We have an inclusive environment. This doesn't mean it is a democracy. We must make hard decisions and I am the one who does that. However, I have trusted advisors on the executive team and other leaders in the company who drive the best results.

Greatest challenge: Like all restaurants, we struggle with applicant flow, people who don't show up or who don't really want the job. This is an exercise in futility and is wasted energy for our management's time.

How do others describe you? They probably would say fun. I try to be fun, engaging, and motivating in all things I do. This rubs off on the team. I strive to be respectful and thoughtful of people and their time and what they have to give.

One thing I'm looking to do better: From a business perspective, continuing to attract even more great talent to ensure a successful next decade. Personally, I want to find a little more balance in work and personal life.

How I give my team room to innovate and experiment: In a franchised organization, there is not a ton of innovation opportunity, since it is delivered at the franchisor level. We focus on what we do versus how we do innovation. We have protocols for how we open/close a restaurant and we use our skills to focus on the "how" more so than the "what." We strive to advise the brand and constantly innovate in partnership with the leadership team at Focus Brands.

How close are you to operations? I turned over day-to-day operations to AJ Baird about 3 years ago. He has been in the McAlister's system for 23 years. He runs operations and manages weekly calls with our area directors. I visit stores regularly. When a new store opens, I spend 3 or 4 days in the restaurant every time. New openings are so much fun and a great investment, not only for the location but also for our leadership and training teams.

What are the two most important things you rely on from your franchisor? Supply chain and product innovation, as well as digital/media support.

What I need from vendors: Reliability and commitment. We don't always feel appreciated as a customer.

Have you changed your marketing strategy in response to the economy? How? Not really. We have already shifted toward social platforms. Digital rewards are working quite well. We are spending more with these methods than ever and are getting more return on the efforts.

How is social media affecting your business? Usually, quite positively. Facebook is a great way to reach out to guests. We highlight products and the rewards of online ordering functions. In fact, we get about 35% of hires through Facebook. That said, it can work against you if you aren't paying close attention.

How do you hire and fire? We use several hiring sites, like Indeed and Facebook, and now manage the flow with a product called Paradox. Our in-store managers decide on the proper fit for their individual needs, as well as discipline, and terminate employees who can't meet the expectations of our business.

How do you train and retain? We have both an online training module and in-store training with our Certified Training Rock Stars. The fun environment with the proper standards balanced with meeting the financial needs of the employees has always been the best outcome for our retention.

How do you deal with problem employees? Lots and lots of coaching.

Fastest way into my doghouse: Being disrespectful to a guest or fellow team member.

RANKED IN THE TOP 100

Are you thinking about entering the franchise market or expanding your existing franchise portfolio? While we haven't mastered the art of future-telling with a cup of coffee (yet), we do have over 20 years of experience that tells us drive-thrus will continue to be a great franchise bet for the business-savvy in the years ahead. Learn more about joining The Human Bean and start franchising with us today!

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COVID-19

How has Covid-19 affected your business? This scared us to death. Did the end come and we didn't even see it coming? The response from our government was overwhelming and daunting: shutting down dining rooms, having to lay off staff, and figuring out how to respond.

How have you responded? We had to make changes in our operations and hope that the overall plan would be productive in the future. We are proud to see how our business recovered. Where we are today is a testament to how our teams worked to do more with less and honor the brand promise.

What changes do you think will be permanent? I think every restaurant will have heightened awareness toward sanitation and cleanliness. We will have easy access to hand sanitizer forever and will be more assertive in monitoring symptoms of employees to make sure everyone who is working is healthy.

BOTTOM LINE

Annual revenue: We are eclipsing the $2 million per location mark in revenue.

2022 goals: To finally breach $200 million in revenue and attain a 12% EBITDA.

Growth meter: How do you measure your growth? We hope to grow guest counts annually as well as have the appropriate menu price increases for inflation. To be *effective* we have always judged that as growing sales at an accelerated rate, not just inflation rates.

Vision meter: Where do you want to be in 5 years? 10 years? I think in 5 years Southern Rock Restaurants will have 250 locations or more and be wondering how to get to 500. If we can do that while maintaining our culture and having fun, wouldn't that be awesome!

Do you have brands in different segments? Why/why not? Not at this time but we desire to use our operating platform and great operators to leverage into other brands in the future.

How is the economy in your regions affecting you, your employees, your customers? Are you experiencing economic growth in your market? We are experiencing exceptional guest count increases, as well as inflationary ones. We have been able to pay our team members 20% more than in 2019. It's hard not to feel the impact of food inflation, not only at every restaurant brand, but at the grocery store as well.

How do changes in the economy affect the way you do business? Our industry has always been nimble and continues to pivot and find ways to survive, if not excel.

How do you forecast for your business? We listen to a lot of guidance from our brand, our lenders, and the industry. I stay included in many industry conversations and even participate on guidance to many of them including the Governor of Tennessee. With that information and a healthy, inclusive operations team for feedback, we are able to use many great forecasting tools like our deFacto budgeting tool, our Power BI financial tool, a labor hour management chart, theoretical variance waste tools, and a 52-week cash flow tool.

What are the best sources for capital expansion? First and foremost, we reinvest all the free cash flow we can create, then use a strategic development line of credit.

Experience with private equity, local banks, national banks, other institutions? Why/why not? There are several ways to finance your operations and growth. All these resources can be beneficial depending on how aggressive your appetite is. You must align your appetite with an institution that shares your vision. For Southern Rock Restaurants, most of our growth has been with private equity–style debt, but the institutional banks can play an important role.

What are you doing to take care of your employees? Listen, listen, and listen. Let's make sure we meet the financial needs of each person, not only with total compensation, but also with enough hours. We offer vacation pay, insurance, even 401(k), but nothing is more important than a flexible work schedule to help our team balance their needs with family, childcare, and school.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? Labor inflation began to be way above average in 2018 and accelerated even more in 2021. We have kept up with rising wage demands in each community and implemented sign-on bonuses for many of our locations. When you find a good formula that works for your location, you must advertise and spend enough to get to the front page for the exposure you need. Many job seekers will not spend the energy to search pages of ads. Get to the first page and make sure your offer is compelling.

What laws and regulations are affecting your business and how are you dealing with them? The restaurant industry has always been highly regulated. I think as an industry we are used to the scrutiny. The unknown is how will the industry accommodate more requirements for vaccinating or testing. The logistics alone are mind-boggling, much less the cost. One thing is certain: Once the landscape is clearly defined, there is no industry more determined to figure things out and pivot than the restaurant industry.

How do you reward/recognize top-performing employees? Southern Rock Restaurants has a robust quarterly bonus plan. We use quarterly operations meetings to discuss our business strategy and to recognize top performers. Once a year, we give out autographed guitars to our best store-level and above-store operators. They are "rock stars" and we want to treat them like one. We also use a plaque called the "Have Fun No Regrets" award, using the tag line of our logo to help recognize anyone—employees, office support, managers, or leadership—who has gone above and beyond to serve our team. "If you're not serving a guest, serve someone who is." I am thankful to have so many in our organization who really live this credo.

What kind of exit strategy do you have in place? Well, since they are cracking down on the Grand Caymans and South Dakota, I will continue to invest in our leadership so they can take more and more of the reins and continue to invest in our business and my trust, so that when I do step aside someday the great work will continue. I look forward to hearing reports of Southern Rock Restaurants' growth and dominance in the industry 20 years from now. Maybe I will ask for a royalty. That would be great! ■

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SUCCESSION SUCCESS

Lee Alvarez, Jr. takes the reins at the family business

Written by **KERRY PIPES**

LEE ALVAREZ, JR., CEO

Company: **Leemar United Group**	Family: **Wife, 4 sons, 1 daughter**
No. of units: **14 El Pollo Loco**	Years in franchising: **28**
Age: **47**	Years in current position: **12**

Lee Alvarez, Jr. didn't have to look very far for franchise inspiration. That's because his father, Lee Alvarez, Sr., had worked in the field as a regional manager at El Pollo Loco before becoming a successful El Pollo Loco multi-unit franchisee in Southern California.

The senior Alvarez acquired his first El Pollo Loco in 1994. His son says that he and his siblings grew up watching their father maintain high quality and great service in his restaurants as he continued to build the business and acquire more locations. That was the same year the younger Alvarez got his first chance to work in his father's restaurant—and it's where he learned the business from the ground up and began to think about his own future in franchising.

Fast forward to 2010, when the junior Alvarez took the reins of the family business and became a franchisee. Today, he serves as president and CEO of Leemar United Group, a 14-unit El Pollo Loco franchisee organization. His father serves as CFO, and two partners, Nelson Amaya and Rolando Chicas, play critical parts in the organization.

Leemar United operates 11 El Pollo Loco locations in Southern California and three in Utah, where the company has an agreement to develop two more. Alvarez, Jr. says those will open in 2022. Most recently, Leemar signed a development agreement with El Pollo Loco for four units in Colorado.

"We will open our first El Pollo loco location in Denver in the second quarter," says Alvarez, Jr. "It's a conversion store. Then we will have three more locations to open in that market." And that's not all: The company is looking at acquiring three locations of another franchise concept early this year.

PERSONAL

First job: Domino's Pizza.

Formative influences/events: My father becoming a franchisee.

Key accomplishments: After acquiring our El Pollo Loco locations early on, we got to build our first location from the ground up and open it in 2002.

Biggest current challenge: Staffing our restaurants with employees who take pride and ownership.

Next big goal: To complete our development agreement in Utah and Colorado. We have two more stores to open in Utah and a total of four to open in Colorado.

First turning point in your career: Being promoted to a multi-unit manager.

Best business decision: Taking on the challenge of expanding beyond California and into other markets (Utah and Colorado).

Hardest lesson learned: Value your employees before it's too late.

Work week: Typically 55 hours.

Exercise/workout: I have a good metabolism. Honestly, I need to make more time for it.

Best advice you ever got: Your words are very powerful; think before you speak.

What's your passion in business? Helping employees gain experience and develop skills they can apply later in their careers.

How do you balance life and work? It is very difficult, but I have a very understanding family that has supported me. I dedicate the weekends to my family.

Guilty pleasure: Being my own boss and taking the occasional family day.

Favorite book: *The One Minute Manager* by Ken Blanchard.

Favorite movie: "The Pianist."

What do most people not know about you? As a hobby, I like to play the drums.

Pet peeve: People who do not keep their word.

What did you want to be when you grew up? A commercial airline pilot.

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

MANAGEMENT

Business philosophy: Take care of others and they will take care of you.

Management method or style: I trust my management team to make their own decisions and learn from their mistakes.

Greatest challenge: Covid-19.

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*Please see the Baskin-Robbins Franchise Disclosure Document for details.

How do others describe you? Understanding but firm.

One thing I'm looking to do better: Improve my business relationship with our local communities.

How I give my team room to innovate and experiment: Empower them to make the best decisions to make our guests and employees happy.

How close are you to operations? I work on operations on a daily basis by communicating with my district managers.

What are the two most important things you rely on from your franchisor? Support and innovation.

What I need from vendors: Accuracy, reliability, and communication.

Have you changed your marketing strategy in response to the economy? How? Yes, we have had to invest more heavily in local store advertising.

How is social media affecting your business? Immensely! The fact that guests have the ability to let the world know in a matter of seconds how good or bad their visit was has changed the way we operate.

How do you hire and fire? Hire slow and fire fast!

How do you train and retain? One-on-one training with follow-up. We offer competitive pay, aggressive incentives, and good benefit packages.

How do you deal with problem employees? Coach, develop, and discipline.

Fastest way into my doghouse: Dishonesty.

COVID-19

How has Covid-19 affected your business? It greatly affected the staffing at all our locations. We went from having an excess number of employees to having only enough to keep our dining rooms open.

How have you responded? Increased pay rates and aggressive hiring incentives.

What changes do you think will be permanent? Keeping our higher pay rates and our improved employee benefit package.

BOTTOM LINE

Annual revenue: $30.7 million.

2022 goals: Increase sales at least 10%.

Growth meter: How do you measure your growth? Sales and development.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, diversifying into different concepts. In 10 years, operating in at least four different states.

Do you have brands in different segments? Why/why not? It is in the works.

How is the economy in your regions affecting you, your employees, your customers? Inflation is leading to higher wages, which has led us to price increases. We will need to find a balance to continue making it work.

Are you experiencing economic growth in your market? Fortunately for us, 2021 was a very good year.

How do changes in the economy affect the way you do business? We are making adjustments on a daily basis. We are forced to change with the times.

How do you forecast for your business? Yearly sales and profits.

What are the best sources for capital expansion? Real estate investments and having great relationships with our financial institutions.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We have a longstanding relationship with our local banks.

What are you doing to take care of your employees? We are offering free meals to all team members, monthly incentives, and improved benefits.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We are closely managing costs. Our main focus has been internal development and retention of employees to lower turnover and increase productivity.

What laws and regulations are affecting your business and how are you dealing with them? Workers' compensation costs continue to increase, making it more difficult to operate. Covid mandates continue to be an issue in most locations.

How do you reward/recognize top-performing employees? Monthly and quarterly incentives, including paid vacation time. Also, daily recognition of accomplishments rewarded with gift cards.

What kind of exit strategy do you have in place? Honestly, I don't. We have such a great relationship going back so many years with our franchisor that none is needed at this time. ■

ANIMAL MAGNETISM

This 25-year-old already has 6 stores!

Written by **KERRY PIPES**

COLE TAYLOR WEBER, OWNER/OPERATOR

Company: **Pet Supplies Plus**
No. of units: **6**
Age: **25**
Family: **Mom Heather, dad Johnny (divorced), brother Tanner**
Years in franchising: **4**
Years in current position: **2**

At just 25, Cole Taylor Weber is a multi-unit franchisee with an annual revenue of more than $11 million.

He got his first exposure to Pet Supplies Plus in college when he worked at one of their stores. "I learned the ins and outs of the pet industry, from stocking shelves to finance to eventually operating the location," he says.

Barely out of college, he now owns and operates six Pet Supplies Plus stores, including the one where he got his start in Rogers, Arkansas. His other locations are in Tennessee, Florida, and Oklahoma, and he's looking for more.

He admits it was a little awkward when he took over his first store while finishing his senior year in college. "A lot of my employees were older than me, and I had to earn their respect and trust," he recalls. "Then I could start pushing the business in the right direction."

Weber says he was lucky to have a father who was in the franchise business and was able to see him build a portfolio of 58 Sport Clips. "I got early exposure to the business," he says. Maybe that's why he says one of his goals is to have three or four different multi-unit franchise groups.

"Owning a pet is one of the most rewarding experiences people can have, and I am so grateful to have the opportunity to help people with that part of their lives," he says. "I have the chance to take an active role in each community where we have opened through pet adoptions, working with service organizations, and anything we can do to enhance the lives of our neighbors."

PERSONAL

First job: I was 16, and it was cleaning a local entrepreneur's shopping center every morning.

Formative influences/events: My dad and my mentors.

Key accomplishments: I think running a business of 100 employees and keeping everyone happy is a big accomplishment.

Biggest current challenge: Ramping up new stores.

Next big goal: Earning a $1 million profit off the stores I run.

First turning point in your career: When I took over our business, we would have our big orders hit every Friday and constantly be in the red. On the first Friday that it wasn't, I knew I was turning things around. The coffee tasted a little better that morning.

Best business decision: Investing heavily in your key people.

Hardest lesson learned: Not to take things personally. I am an emotional person because I care about my people, but I sometimes must remind myself that you must make tough business decisions.

Work week: Sunday is the only day I really try to take off. We like to say we get up every day and hit curveballs.

Exercise/workout: I try to get in the gym a couple times a week. I walk and run a lot with my dog Bailey. My favorite exercise is playing basketball.

Best advice you ever got: Be your employees' biggest cheerleaders!

What's your passion in business? The people. I have the opportunity every day to make a difference in people. I always say if everyone is happy inside the four walls—employees, co-workers, and the pets coming in—we will win the game!

How do you balance life and work? At times it can be tough. This is something I need to work on more because I am in such a grind mindset.

Guilty pleasure: Cheesecake.

Favorite book: *Take the Stairs* by Rory Vaden.

Favorite movie: "The Sandlot."

What do most people not know about you? I cannot stand an actual tomato but love the things made from tomatoes. I think it is the texture.

Pet peeve: Cars with loud pipes.

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

Last vacation: Hawaii for my mom's wedding.

Person I'd most like to have lunch with: Matthew McConaughey. I love his outlook on life.

MANAGEMENT

Business philosophy: My business philosophy is simple. How do you motivate your people to do what you need them to do to create results? You may be running your business, but your people are the ones driving the business one way or another.

Management method or style: A coaching method. We are always coaching on how we can do things better, how we can motivate better, how we can get 1% better every day!

Greatest challenge: When I took over my role while finishing my senior year of college, a lot of my employees were older than I was, and I had to earn their respect and trust. Once I did that, I could start pushing the business in the right direction.

How do others describe you? I think as a high-energy and happy-go-lucky guy. No matter what is going on behind the scenes in work or my personal life, I go to work to motivate, smile, and have fun.

One thing I'm looking to do better: I am always looking for ways to improve. I always thought I was good with stress until some big business obstacles were thrown my way. I think stress management during certain times is something I can improve on.

How I give my team room to innovate and experiment: I encourage my employees to be creative and come up with cool ideas. My employees are 100 times more creative than I am, so I want them to bring those ideas to fruition.

How close are you to operations? I am in it 100% of the time. Even when I am not in the stores I am always on call and checking in on everyone.

What are the two most important things you rely on from your franchisor? Pricing on products and day-to-day operational support.

What I need from vendors: The better that stocks and pricing are from vendors, the happier my customers and margins are.

Have you changed your marketing strategy in response to the economy? How? Yes. We used to pound the pavement handing out coupons pre-Covid because it was the cheapest way to market. Now that we have some cash, and to be more cautious with Covid, we have taken a more targeted digital approach with Facebook and Google ads.

How is social media affecting your business? Social media is the fun part of our business where we get to show off all the great things about Pet Supplies Plus. Cute puppy comes in, post it. Doing a litter drive for a local rescue, post it. People love our social media and we have fun with it. We are consistently tops in the company in that category.

How do you hire and fire? We take an always hiring approach. We are always looking for new talent. We have a lot of paper applications come in, but also post a lot to Indeed. Luckily, being in the pet industry makes us more of an employer of choice, so for a retail store we have very little turnover. If we have to fire someone, I always do it in person, get straight to the point, wish them the best, and always have a witness.

How do you train and retain? We always train people with what we call our star players. The best person in each store on register is training on that. The best person with pet nutrition is training on that. As far as retaining goes, we cannot always pay the best, so to keep our people around we have to create the best environment to work in.

How do you deal with problem employees? Communication. Communication. Communication. I think 99% of problems can be resolved by having a conversation and talking it out.

Fastest way into my doghouse: Not doing everything you can to make a customer happy!

UNDER 30

How did you get into franchising at such a young age? I am blessed to have a father and business partner who has been in the

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franchising world for over 15 years and brought me on at an early age attending franchise and real estate shows.

Was becoming a franchise something, you'd planned on? Yes. I always wanted to be a multi-unit operator of some sort.

Did you have a mentor or inspiration for getting into franchising? Yes, my dad for sure. I grew up watching him grow to 58 Sport Clips locations.

What jobs, skills, and experience have helped you operate a franchise business? I think being in sports my whole life taught me a lot about discipline, work ethic, motivation, and teamwork. My favorite part of running a business is that, in a way, it is just like running a sports team. My dad was always telling me about the challenges he faced over the years, which was definitely very helpful as curveballs started to come my way when I started my career. I also come from a family that taught me to respect everyone if you want respect. That has always stuck with me.

What kinds of obstacles did you face in franchising at such a young age? Gaining the trust and respect of team members early on.

How would you describe your generation? Lazy. I think a lot of people in my generation are always looking for the easiest way of doing things. I am okay with that because I know what I need to do to be successful.

Do you see franchising as a stepping-stone or a career for you? Career.

BOTTOM LINE

Annual revenue: $11 million.

2022 goals: $14 million.

Growth meter: How do you measure your growth? Sales, sales comps, transaction counts, customer satisfaction, and number of units.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, I want to take a more hands-off approach and have more statically placed key players so I have more time to work on a family. In 10 years, I want to have at least three to four different multi-unit franchise groups under my wing. I want to diversify.

How is the economy in your regions affecting you, your employees, your customers? The economy is always going to be changing, but something that has always stuck with me is that successful people find ways to succeed in all circumstances.

Are you experiencing economic growth in your market? Yes.

How do changes in the economy affect the way you do business? You must always think on your feet in business. You must make these decisions every single day to stay ahead.

How do you forecast for your business? I do monthly projections based on the past year, and a sales increase based on the store tenure.

What are the best sources for capital expansion? Relationships with a lot of bankers. You need to network with as many as you can because every bank lends a little bit differently.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We have always used local banks because you can have more conversations with them and sell your vision and yourself. It is very hard to do that with these national guys. We have done some private equity, but we try to stay away from it because we don't want to give up equity or pay a higher interest rate.

What are you doing to take care of your employees? At the end of the day, it's all about being a good person and treating your people right. Do the little things, buy them pizza, run fun little contests. Make them *want* to work for you!

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? You must become more efficient and find ways to drive top-line sales without increasing labor.

How do you reward/recognize top-performing employees? We do an employee of the month where they get a plaque with their name on it and a $25 gift card. We also do a lot of handwritten pats on the back when an employee does something good. Those go a long way.

What kind of exit strategy do you have in place? I want to continue to grow this brand and others, but always watch the market on when to sell. ■

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2022 MEGA 99 RANKINGS

Each year we work with FRANdata to compile a list of the country's largest multi-unit franchisee organizations. Based on total unit count, the rankings show not only the number of units these "mega" franchisees operate, but also their brands. While the list is dominated by food brands, it also includes non-food brands such as business services (tax preparation), consumer services (automotive), and lodging. If you're looking to expand and diversify your own franchise empire, study what the "big guys" are buying—it just might help you with your own growth choices in 2020.

Notes: Seventh-ranked MUY! Companies was sold off in pieces in October 2021 and no longer exists. And of course the pandemic has skewed everyone.

RANK	COMPANY	UNITS	BRANDS
1	FLYNN RESTAURANT GROUP	**2,354**	APPLEBEE'S, ARBY'S, PANERA BREAD, TACO BELL, PIZZA HUT, WENDY'S
2	SUN HOLDINGS	**1,257**	T-MOBILE, ARBY'S, POPEYES LOUISIANA KITCHEN, BURGER KING, APPLEBEE'S, TACO BUENO, PAPA JOHN'S, MCALISTER'S DELI, GNC, IHOP, OTHER BRANDS
3	CARROLS GROUP	**1,091**	BURGER KING, POPEYES LOUISIANA KITCHEN
4	FQSR (KBP FOODS)	**1,000**	TACO BELL, KFC, ARBY'S
5	DHANANI GROUP	**824**	BURGER KING, POPEYES LOUISIANA KITCHEN, LA MADELEINE
6	TARGET	**818**	PIZZA HUT
7	MUY! COMPANIES	**755**	PIZZA HUT, WENDY'S, TACO BELL
8	PILOT TRAVEL CENTERS	**624**	SUBWAY, CINNABON, DUNKIN', WENDY'S, ARBY'S, TACO BELL, DQ TREAT, AUNTIE ANNE'S, MOE'S SOUTHWEST GRILL, PIZZA HUT, IHOP, LITTLE CAESARS
9	ARAMARK	**550**	CHICK-FIL-A, EINSTEIN BROS. BAGELS, PANDA EXPRESS, OATH PIZZA, WHICH WICH, DUNKIN', MOE'S SOUTHWEST GRILL, STEAK 'N SHAKE, PAPA JOHN'S, PIZZA HUT, SUBWAY, FRESHII, QDOBA MEXICAN EATS, JAMBA, AUNTIE ANNE'S, MOOYAH, PANERA BREAD, QUAKER STEAK & LUBE, TACO BELL, TIM HORTONS, BURGERFI, CHILI'S, ERBERT & GERBERT'S, MCALISTER'S DELI, WAHOO'S FISH TACO, CARIBOU COFFEE, PJ'S COFFEE OF NEW ORLEANS, QUIZNOS, WENDY'S, KFC, PACIUGO GELATO CAFFE, LA MADELEINE, VILLAGE JUICE KITCHEN, DENNY'S, DUNN BROTHERS COFFEE, FIREHOUSE SUBS, JERSEY MIKE'S, SMASHBURGER, EXTREME PITA, WING ZONE
10	LOVE'S TRAVEL STOPS & COUNTRY STORES	**515**	SUBWAY, CHESTER'S, TACO JOHN'S, DUNKIN', ARBY'S, BOJANGLES, DQ TREAT, GODFATHER'S PIZZA, NAF NAF MIDDLE EASTERN GRILL
11	TEAM CAR CARE	**509**	JIFFY LUBE
12	ARMY & AIR FORCE EXCHANGE SERVICES	**484**	SUBWAY, BURGER KING, CHARLEYS, POPEYES LOUISIANA KITCHEN, ARBY'S, TACO BELL, QDOBA MEXICAN EATS, EINSTEIN BROS. BAGELS, BASKIN-ROBBINS, DUNKIN', RICE KING, WING ZONE, PIZZA HUT, SLIM CHICKENS
13	GPS HOSPITALITY	**476**	BURGER KING, POPEYES LOUISIANA KITCHEN, PIZZA HUT
14	SUMMIT RESTAURANT GROUP	**436**	IHOP, APPLEBEE'S, WENDY'S

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RANK	COMPANY	UNITS	BRANDS
15	SIZZLING PLATTER	418	LITTLE CAESARS, WING-STOP, PIZZA HUT
16	JIB MANAGEMENT (YADAV ENTERPRISES)	392	JACK IN THE BOX, DENNY'S, TGI FRIDAYS
17	HARMAN MANAGEMENT CORP.	353	KFC, A&W
18	MERITAGE HOSPITALITY GROUP	350	WENDY'S, STAN'S TACOS, MORNING BELLE
19	ROTTINGHAUS	346	SUBWAY
20	CHARTER FOODS	340	TACO BELL, LONG JOHN SILVER'S, KFC, A&W
21	WKS RESTAURANT GROUP	333	WENDY'S, DENNY'S, KRISPY KREME DOUGHNUTS, BLAZE PIZZA, EL POLLO LOCO
22	TACALA	322	TACO BELL, KFC
23	AMPEX BRANDS	317	KFC, PIZZA HUT, LONG JOHN SILVER'S, TACO BELL, A&W
24	K-MAC ENTERPRISES	315	TACO BELL, KFC
25	EYM GROUP	310	PIZZA HUT, DENNY'S, KFC, BURGER KING, PANERA BREAD, TACO BELL
25	PACIFIC BELLS	310	TACO BELL, KFC, BUFFALO WILD WINGS
27	BODDIE-NOELL ENTERPRISES	303	HARDEE'S
28	HART RESTAURANT MGMT (HAZA BELL)	301	WENDY'S, TACO BELL
29	THE COVELLI FAMILY LTD PARTNERSHIP	293	PANERA BREAD, DQ GRILL & CHILL, DQ TREAT, O'CHARLEY'S
30	SODEXO	290	CHICK-FIL-A, DUNKIN', PIZZA HUT, JAMBA, QDOBA MEXICAN EATS, MOE'S SOUTHWEST GRILL, ERBERT & GERBERT'S, GARBANZO MEDITERRANEAN FRESH, PAPA JOHN'S, STEAK 'N SHAKE, FRESHII, MCALISTER'S DELI, PJ'S COFFEE OF NEW ORLEANS, BAJA FRESH, BASKIN-ROBBINS, BURGER KING, DENNY'S, GODFATHER'S PIZZA, WHICH WICH, DQ TREAT, EINSTEIN BROS. BAGELS, SUBWAY, AUNTIE ANNE'S, PANERA BREAD, FIREHOUSE SUBS, THE HABIT BURGER GRILL, BLAZE PIZZA, TACO BELL
31	MASON-HARRISON-RATLIFF ENTERPRISES	277	SONIC DRIVE-IN
32	SOUTHERN CALIFORNIA PIZZA (AMERICAN WEST RESTAURANT GROUP)	275	PIZZA HUT
33	QUALITY RESTAURANT GROUP	270	PIZZA HUT, ARBY'S, MOE'S SOUTHWEST GRILL, SONIC DRIVE-IN
34	TA OPERATING	255	POPEYES LOUISIANA KITCHEN, TACO BELL, BURGER KING, SUBWAY, PIZZA HUT, DUNKIN', ARBY'S, CHARLEYS, A&W, BLACK BEAR DINER, FAZOLI'S, WENDY'S, BASKIN-ROBBINS, CARL'S JR., IHOP, JAMBA, KFC, SUPER 8 BY WYNDHAM, TACOTIME, TIM HORTONS, DQ TREAT
35	JAE RESTAURANT GROUP	250	WENDY'S

RANK	COMPANY	UNITS	BRANDS
36	HMS HOST	245	BURGER KING, AUNTIE ANNE'S, SBARRO, ROY ROGERS, CHILI'S, QUIZNOS, CHICK-FIL-A, NATHAN'S FAMOUS, CINNABON, PIZZA HUT, DUNKIN', FIREHOUSE SUBS, STEAK 'N SHAKE, TCBY, KELLY'S CAJUN GRILL, KFC, PANDA EXPRESS, BAJA FRESH, BLIMPIE, BURGERFI, ON THE BORDER, THE COUNTER, MAGGIANO'S LITTLE ITALY
36	WENDPARTNERS FRANCHISE GROUP	245	WENDY'S
38	VISION GROWTH PARTNERS/SUPER C GROUP	244	SUPERCUTS, COST CUTTERS
39	FUGATE ENTERPRISES	239	PIZZA HUT, TACO BELL
40	FOURTEEN FOODS	237	DQ GRILL & CHILL, DQ TREAT
41	PALO ALTO	234	PIZZA HUT, TACO BELL, KFC
42	ADF RESTAURANT GROUP	233	PIZZA HUT
42	MITRA QSR	233	KFC, TACO BELL
44	DIVERSIFIED RESTAURANT GROUP	232	ARBY'S, TACO BELL
45	DL ROGERS CORP	231	SONIC DRIVE-IN
46	TASTY KING	228	PIZZA HUT, BURGER KING
47	DESERT DE ORO FOODS	224	TACO BELL, PIZZA HUT
48	AMPLER GROUP	223	BURGER KING, LITTLE CAESARS
49	MANNA	222	WENDY'S, FAZOLI'S
50	BORDER FOODS	220	TACO BELL, CHURCH'S CHICKEN
51	APPLE HOSPITALITY REIT	218	HILTON GARDEN INN, HAMPTON INN BY HILTON, COURTYARD BY MARRIOTT, HOMEWOOD SUITES BY HILTON, RESIDENCE INN BY MARRIOTT, HOME2 SUITES BY HILTON, FAIRFIELD BY MARRIOTT, TOWNEPLACE SUITES BY MARRIOTT, SPRINGHILL SUITES BY MARRIOTT, EMBASSY SUITES BY HILTON, HYATT PLACE, MARRIOTT HOTELS, HYATT HOUSE
52	COTTI FOODS CORP	202	WENDY'S, TACO BELL, PIEOLOGY PIZZERIA
53	CIRCLE K STORES	196	SUBWAY, BLIMPIE, CHURCH'S CHICKEN, HARDEE'S, DQ TREAT, DQ GRILL & CHILL, NOBLE ROMAN'S, HUDDLE HOUSE
53	QUALITY DINING	196	BURGER KING, CHILI'S
55	SRI OPERATING COMPANY	190	SONIC DRIVE-IN
56	LUIHN VANTEDGE PARTNERS	189	TACO BELL, KFC, PIZZA HUT
57	YELLOWHAMMER SALON GROUP	185	SMARTSTYLE
58	PREMIER KINGS	184	BURGER KING, POPEYES LOUISIANA KITCHEN
59	WENDYS OF COLORADO SPRINGS	183	WENDY'S, GOLDEN CORRAL

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**Based on Gross Sales of the top performing 25% (or 69 units) of Hungry Howie's Franchised Units that were open for the entire 52-week period from December 30, 2019 through December 27, 2020. "Franchised Units" means all Hungry Howie's Units that were open and reporting sales to us for the entire fiscal year, and excludes units in the State of Florida, affiliated units, units which opened or closed during the entire fiscal year, legacy units which are not obligated to and do not report sales to us, and units that were closed for more than ten consecutive days during the entire fiscal year due to a force majeure event (e.g. COVID-19). The Franchised Units are in 20 states. These Franchised Units have reasonably similar operations as those being offered for sale. See Item 19 of Hungry Howie's 2021 Franchise Disclosure Document for additional information.

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MINNESOTA STATE REGISTRATION NUMBER F-2873.

Hungry Howie's Pizza & Subs, Inc., 30300 Stephenson Highway, Suite 200, Madison Heights, MI 48071, 248-414-3300.

RANK	COMPANY	UNITS	BRANDS
60	RPM PIZZA	178	DOMINO'S PIZZA
61	SUNDANCE (TEAM LYDERS)	176	TACO BELL, KFC, ARBY'S
61	COMPASS GROUP USA	176	PAPA JOHN'S, PANDA EXPRESS, DUNKIN', SUBWAY, PIZZA HUT, MOE'S SOUTHWEST GRILL, JAMBA, PJ'S COFFEE OF NEW ORLEANS, STEAK 'N SHAKE, WENDY'S, CARIBOU COFFEE, CHILI'S, TACO BELL, TIM HORTONS, AUNTIE ANNE'S, FIREHOUSE SUBS, FREDDY'S FROZEN CUSTARD & STEAKBURGERS, FRESHII, KFC, QDOBA MEXICAN EATS, SBARRO, SLIM CHICKENS, BASKIN-ROBBINS, BLIMPIE, BOJANGLES, BURGER KING, ILLY CAFFE, PANERA BREAD, PITA PIT, PLANET SMOOTHIE, POPEYES LOUISIANA KITCHEN, QUIZNOS, WHICH WICH, THE HABIT BURGER GRILL
63	ADT	174	PIZZA HUT
64	HENLEY ENTERPRISES	173	VALVOLINE INSTANT OIL CHANGE
65	HAMRA ENTERPRISES	170	WENDY'S, PANERA BREAD, NOODLES & COMPANY, HOLIDAY INN
66	CELEBRATION RESTAURANT GROUP/ CFL PIZZA/BRAVO FOODS	167	PIZZA HUT, TACO BELL, KFC
67	CAVE ENTERPRISES OPERATIONS	166	BURGER KING
68	GHAI MANAGEMENT SERVICES	165	BURGER KING, TACO BELL
69	FRESH ALTERNATIVES	163	SUBWAY
70	CARLISLE CORP	162	WENDY'S
70	CAMBRIDGE FRANCHISE HOLDINGS (ALABAMA QUALITY/CAROLINA Q)	162	BURGER KING
72	JRN	161	KFC, PIZZA HUT
73	PACPIZZA	155	PIZZA HUT
74	BURGERBUSTERS	154	TACO BELL, PIZZA HUT, KFC, LONG JOHN SILVER'S
75	G&M OIL CO	153	CHEVRON
76	B & G FOOD ENTERPRISES	152	TACO BELL, KFC
77	DMSD FOODS	150	JACK IN THE BOX
78	BRIAD RESTAURANT GROUP/BRIAD LODGING GROUP	147	WENDY'S, RESIDENCE INN BY MARRIOTT, HOMEWOOD SUITES BY HILTON, COURTYARD BY MARRIOTT, TOWNEPLACE SUITES BY MARRIOTT, HILTON GARDEN INN
79	PJ UNITED	145	PAPA JOHN'S
79	STARCORP	145	HARDEE'S, CARL'S JR.
81	A3H FOODS	143	JACK IN THE BOX
82	WING FINANCIAL SERVICES	142	JACKSON HEWITT TAX SERVICE

RANK	COMPANY	UNITS	BRANDS
82	MERRITT GROUP	142	SONIC DRIVE-IN
84	MARWAHA GROUP	141	SUBWAY, DENNY'S
85	INTERFOODS OF AMERICA (SAILORMEN)	139	POPEYES LOUISIANA KITCHEN, BURGER KING
85	METRO FRANCHISING COMMISSARY	139	DUNKIN', BASKIN-ROBBINS, NATHAN'S FAMOUS
87	BAJCO	136	PAPA JOHN'S, DQ GRILL & CHILL
87	GRAND MERE CAPITAL	136	PIZZA HUT
89	SW DEVELOPMENT OF EAST TN	134	SUBWAY
90	CALIFORNIA FOOD MANAGEMENT	133	BURGER KING
91	MANNA DEVELOPMENT GROUP	132	PANERA BREAD
91	UNITED PF	132	PLANET FITNESS
93	DOHERTY ENTERPRISES	131	APPLEBEE'S, PANERA BREAD
93	RMH FRANCHISE CORP	131	APPLEBEE'S
93	RESTAURANT MANAGEMENT CO	131	PIZZA HUT, KFC
96	MERIDIAN RESTAURANTS UNLIMITED	130	BURGER KING, CHILI'S
96	TOMS KING	130	BURGER KING
98	AMERICAN PIZZA PARTNERS	126	PIZZA HUT
99	G & M OIL CO	125	EXTRAMILE

About

The Mega 99 Rankings are a list of the largest franchisees/franchisee organizations in the U.S. based on their collective ownership of franchised businesses. Over the current year, FRANdata has used its institutional knowledge along with information gained directly from franchisees to rank franchisees in terms of the franchised businesses/locations they own.

Methodology

FRANdata has the most comprehensive franchisee database available. Using this information, complemented by the most extensively verified consumer database in the U.S., FRANdata identifies and consolidates franchisee ownership to formulate the Mega 99 Rankings.

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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. Franchises are not currently offered in HI, MD, MN, ND, SD, VA and WA.

AT YOUR SERVICE

Why service brands are a good bet in 2022

Written By
HELEN BOND

PuroClean Disaster Restoration franchisee Dawn Erickson never thought she would be passionate about water extraction. "I've never loved any job more in my life," she says.

Erickson and her husband and co-owner Mark Erickson have been helping residential and commercial businesses in the Charleston, South Carolina area meet the challenges of fire, water, and mold damage since 2009. The couple's multi-franchise operation ranks among PuroClean's top 10% systemwide.

In a world where customers increasingly turn to companies for expertise, improvement, and solutions to save time, money, or generally make life easier, service-based brands are the job-well-done sector of franchising. And business is booming.

Demand for these services and the drive to lend a helping hand have entrepreneurs embracing the service-based franchise path, which often comes with a lower cost of entry, lower overhead, and more flexible operating hours than location-based and product-dependent retailers or restaurants.

Business services contributed $121 billion of franchising's total 2020 economic output of $670 billion, second only to quick-service restaurants at $241 billion, according to Statista.

So how do you know if a service-based franchise is right for you? Seasoned franchise owners say it starts with finding a service that fits your skill set and goals for the business you want to build.

Erickson was looking for a business that would match her communications and real estate background and her husband's construction and general contracting know-how when a franchise broker suggested disaster restoration. At the time, Erickson had never heard of that. But the more she learned, the more she liked the idea of buying into a needs-based business that didn't rely on the state of the economy to drive results. Disaster restoration is paid largely through insurance claims, which means far less waiting to recover out-of-pocket expenses.

"You have to dry your house if it's soaking wet, and you have to clean up if you've had a fire," she says. "So it felt like a safer bet that could withstand anything going on with the economy, and it was an industry that people needed."

Technology-fueled advancements are continually expanding the definition of a highly responsive, service-oriented, and increasingly mobile business model. Today there is a dizzying array of service-oriented businesses, ranging from automotive, residential, commercial repair, pest control, and cleaning services to eyelash extensions, fitness, virtual assistants, pet grooming, and support for seniors.

For entrepreneurs, it means more opportunity than ever before to be their own boss.

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From pilot to service brand franchisee

After a 15-year aviation career and more than 200 days away from his wife and kids each year, Mike Mulheran was ready for a new adventure. In 2015, he traded his life as a pilot for jet-setting CEOs and celebrities for a home-based franchise business and became a franchisee of Creative Colors International, a leather and vinyl repair brand. When performing his due diligence, Mulheran, a father of four, was sufficiently impressed by the family-run feel of the brand and the profit potential to open a location in Minneapolis.

"One of the attractive draws for me was knowing that I didn't have to have brick-and-mortar," he says. "When we say we are 100% mobile, nine times out of 10 people are just thrilled."

Navigating a new career as a service-based franchise owner didn't come without some growing pains as he learned the business. Expansion in the service-based sector is generally determined by geography, allowing franchisees to scale for greater reach by adding new territories in nearby cities or MSAs.

For Mulheran, that resulted in him acquiring two more territories in the Twin Cities area and developing a greater understanding of his customer base, which he estimates as roughly 90% B2B and is located mainly in rural, industrial areas, versus initially catering to the "more affluent areas that weren't as good as I thought they were going to be."

If you can afford it and are all in on a brand, Mulheran recommends franchisees start with multiple territories. "I quickly learned that when I was doing my due diligence I didn't ask all the right questions to potential clients because I didn't fully understand the business," he says. "What I thought was actually the best territory ended up being my second territory. And my best territory was the one that I didn't make the initial agreement on. Starting with a larger area gives you a lot more room to expand and figure out what markets are going to work best for you."

For the Ericksons, the purchase of a second franchise location in the Charleston area 2 years ago was a great move, allowing them to grow in an affordable, economical way that made sense for their business model. "You have to work hard on homing in and fine-tuning the business, learning from others, and growing your business and growing it wisely," says Erickson. "We've been blessed that we've had a great support staff on the corporate level at PuroClean from the start."

Multiple service brands

Multi-brand service franchisee Bryan Frnka will not do a deal unless he can control the market where he operates.

"I realize that a lot of people can't do that if they're looking for a one-off franchise, but we prefer to manage and control the brand reputation in our market," he says. "It's hard to maintain consistency and a high-level brand reputation when you have nine locations in a market and nine different franchisees."

Frnka likes to get in on the ground floor of service-oriented concepts. One of the first franchisees of Amazing Lash Studio, Frnka now owns 11 locations of the brand in Texas, Nevada, and Colorado and is a multi-unit franchisee with Scissors & Scotch. His portfolio also includes Palm Beach Tan. Most recently, he invested in Body20, an emerging boutique fitness concept and plans to open five locations in San Antonio, where the bulk of his management infrastructure is based.

Frnka looks for brands with slow, stable growth versus rapid expansion, and for franchisors that have operational experience and understand the mechanics of the business they are selling.

"When you are in the discovery day, they are interviewing you as a franchisee, and we are kind of interviewing them," he says. "Quite frankly, if we don't like the people we're doing business with and don't think they have a grasp of the concept from an operational standpoint, we won't invest."

Do your diligence

Knowledge is power for any industry and especially critical for owners of service brands, who rely on specialized skills, training, and customer service for success. Even semi-absentee owners would be wise to learn the business and know how to do each job required, says Erickson, who holds water, mold, fire, and trauma certifications for the cleaning and restoration industry.

"A lot of people are taking a big leap of faith, so doing the research is important," she advises. "Make sure you have good support systems in place and talk to people who have done what it is you want to do. Understand that you are definitely going to have to work hard, and that it's also extremely important to be ethical, caring, knowledgeable, professional, and excel at customer service. You could be knowledgeable on how to fix their place, but if you don't care about them, and you don't treat them right, you're not going to make it in this industry." ■

In This Article

Mark & Dawn Erickson

Bryan Frnka

Mike Mulheran

Justin Scotto

He Sells Restaurants

For restaurant veteran Justin Scotto, the transition from running restaurants to helping others buy and sell them has allowed him to leverage his 20 years of industry knowledge as a franchise owner.

Scotto was in the middle of selling his portfolio of a dozen Firehouse Subs that he developed and operated from the ground up when he came across We Sell Restaurants.

"I enjoyed my time as a restaurant owner, but at my chapter in life I was looking for a franchise that would allow me to spend even more time with my wife and kids, be successful, and have a great schedule that works for my family," he says. "With We Sell Restaurants, the setup was perfect."

Scotto, now a certified restaurant broker and owner of six territories across North and South Carolina, counts on his brand's ongoing support and new tools to keep his business growing. He shares four skill sets he believes are valuable for success when owning a service-based brand.

1. **Leadership.** Owners should show leadership within the company and franchise system and contribute to making the brand better.
2. **Personality-plus.** An outgoing personality is a must if you are a customer-facing franchise owner of a service-based brand. "No one likes to talk to a dud," he says. "I love talking and meeting with people in the restaurant industry, and personality helps to connect."
3. **Professionalism.** It's the brand name on the logo, not yours. It is essential to act professionally and represent the brand name to the fullest, not only with clients but at all times.
4. **Passion.** Be passionate and excited to be part of the brand you have invested in as a franchisee. If you don't have the passion for the job, it will quickly show with your customers.

"Do your homework and don't jump into a service brand until you are 100% sure it is the right one for you," he says. "Stick to the values that are important to you for success. If the brand is not close to that, then it might not be the right one for you."

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BUILDING YOUR TEAM IN 2022

Hiring and retaining employees in a tight labor market

Written By
HELEN BOND & KERRY PIPES

For most franchisees, hiring and retaining high-performing employees has always been an occupational hazard. Factor in a worldwide pandemic and the headache is even worse.

As the pandemic lingers into yet another year, the one-two punch of critical labor shortages and high expectations by job-shopping candidates seems here to stay. Today, as franchisees navigate their way through the start of an uncertain 2022, it's become tougher than ever to find, hire, and retain workers they can depend on to train, remain, deliver great service, and keep their multi-unit ship afloat.

But don't ever count out multi-unit franchisees, no matter how great the challenge. They (you!) are a resourceful, innovative, determined breed. If they can't find a solution, they create one.

So what adjustments have they made to help them attract and hold onto the talent they so desperately need in today's economy?

We asked four battle-tested franchisees to weigh in on the state of today's labor landscape and how they are leveraging technology, flexible scheduling, wages, and benefits to maintain a culture where people *want* to work for them—and build a bench to prepare for future growth:

- **Fred Punke** of Punke Holdings, 30 Supercuts and Cost Cutters in Indiana and Kentucky
- **David R. Blackburn,** CEO and COO of Southern Rock Restaurants, the largest franchisee of McAlister's Deli
- **Joshua Morris,** co-founder of Blu Water Brew, with Scooter's Coffee locations spread across Iowa, Minnesota, and Texas
- **Brian Pyle,** CEO of ERC Management, who operates 20 Freddy's Frozen Custard & Steakburgers in Colorado and Alabama

How did Covid affect your ability to hire and retain great employees?

Fred Punke (Supercuts, Cost Cutters): The government lockdowns, restrictions, and corresponding government subsidies paid directly to employees if they *didn't* work made hiring more difficult than the actual Covid virus.

David R. Blackburn (McAlister's Deli): The workforce was immediately on edge, not knowing if they should stay home to protect themselves or their families, and the media could be quite confusing during this time. We experienced about 40% of the workforce retreating or looking for other types of work since so many other employers were looking for people. Quickly we saw that the demand for quality employees was rising, so like everyone else we had to increase the compensation we offered. Pre-pandemic labor inflation was already some of the highest I had ever seen, but we made a deliberate and strategic move to increase compensation by about $2 an hour. We also knew that with so many hospitality organizations now running ads to recruit, we had to own the headline, so we offered sign-on bonuses of up to $1,000 per employee in more critical staffing locations. We hired more than 300 people with this incentive and used that headline to gain traction to restaff. I am happy to report we are now running consistently at 90% of the staffing levels we would have considered normal.

> There was more fear early on, financial incentives to stay home, and new guidelines most of us had never experienced.

Joshua Morris (Scooter's Coffee): It affected us differently during different times of the pandemic. There was more fear early on, financial incentives to stay home, and new guidelines most of us had never experienced. Introducing temperature checks, masking, and quarantine timing brought a whole new complexity to everyone's business.

Brian Pyle (Freddy's): Covid affected our ability to hire because the pool of available employees is much smaller than it was pre-pandemic. Most restaurants are severely understaffed. You can see it in the limited hours. So the ability to hire is really about creating confidence in our business that we have things in place to keep you safe. As far as retention, I sent out a letter on March 16, 2020 that said we were not going to let anyone go because of Covid, which we never did. We didn't cut hours. We kept our team intact as much as they were comfortable working, and we put measures in place to ensure the safety of our employees. They understood that if they worked for Freddy's in our group, they were going to have a job.

In what ways did the pandemic make it harder for you to find employees?

Punke: We found that many people who needed to work and generate income beyond what the governments were paying in subsidies had to find work outside our specialized industry. When we were able to open back up, they already had other jobs and were not as interested in coming back to their chosen profession.

Blackburn: So many businesses are hiring at once. Every restaurant has been hiring and offering more money for employees to leave their current jobs, making some hires more transient than normal. However, many of those offers are made in desperation and are unsustainable. The silver lining is that this competition for employees has helped increase the compensation of our industry workers and will be healthy in the long run.

Morris: Financial incentives to stay home certainly affected the labor force. Since we employ many high school and college students, school closures, return to school dates, and usual winter/summer schedules changed, especially in our more seasonal resort areas where we depend on summer college students. Rising wages also became a hot topic, especially in the food and beverage space. I think it was a reset for many front-line workers to see if they wanted to be in different industries.

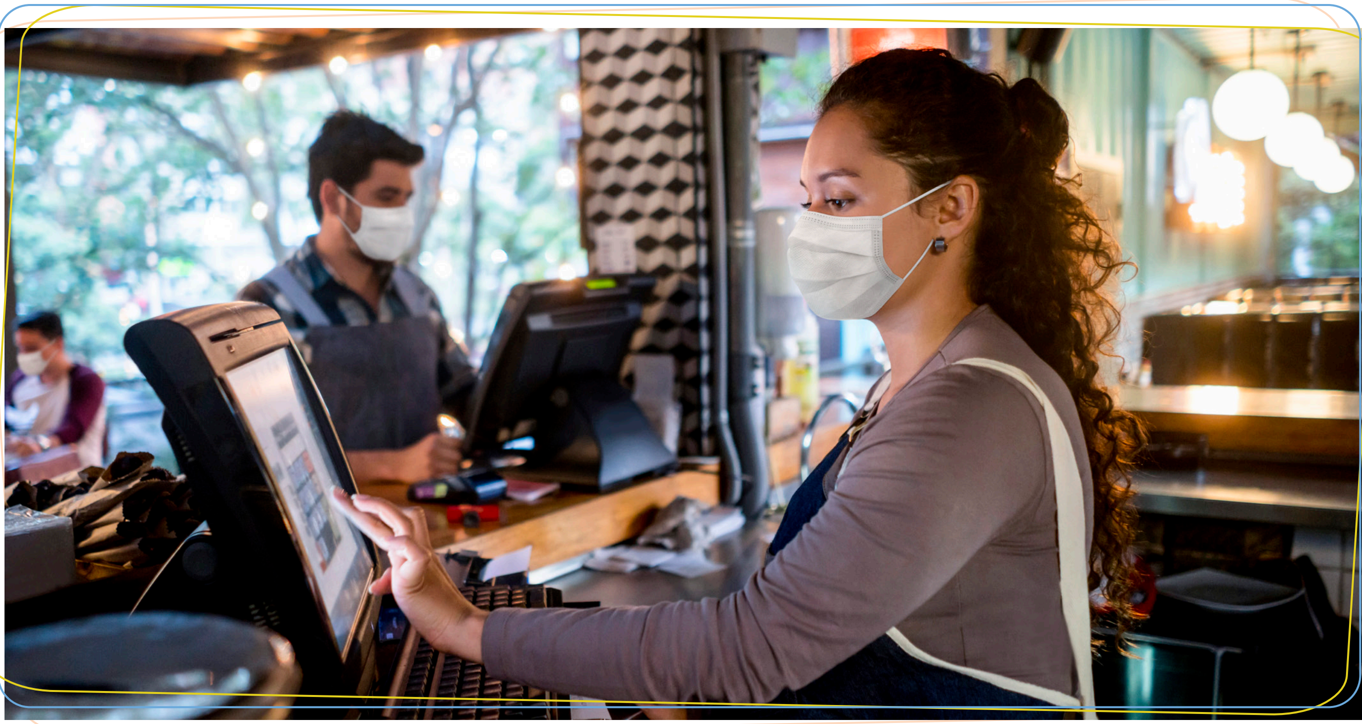
Pyle: The ability to hire has been a challenge because, again, all restaurants are looking to fill jobs and there's a small pool of employees. Our challenge has been to set ourselves apart from all the other businesses and get that message out.

What are some of the ways you found to keep your employees engaged and committed?

Punke: I hired more people in our back office and above-store management team to stay engaged with employees daily and ensure their needs are being met. We also rolled out a benefits package that is pretty great, so we can differentiate from our competition and create a sticky employment relationship.

Blackburn: At McAlister's Deli and Southern Rock Restaurants, we have always been committed to taking care of our team. A great working environment with an appreciation for their contributions, treating everyone with respect, and scheduling flexibility go a long way. We of course have vacation pay, 401(k), and medical insurance available, but at the end of the day, you must meet the financial needs of your employees and give them a fun environment to work in so they look forward to it every day.

Morris: First and foremost, paying more will get you only so far. Competitive pay is important, although it's not the most important. We conducted exit interviews a few years ago in my other business. Pay was the third-place reason for leaving. The top two were communication and training, respectively. I don't believe any of this has changed since the pandemic began. We emphasize both consistently with our managers. People want clear and respectful communication, and they want to feel they are being given



the tools to succeed. We also mixed in some wage increases and retention bonuses. Culture has to be top of mind. Every location has its own culture, but it must have influence from the top down. Every employee must understand their role, their importance, and be thanked for what they do for our customers daily. That being said, some attrition can be positive. If we feel that we have operated to our core values and provided these things to the employee and they still fail or become disruptive, then we move on for the sake of our entire team. I'm a big believer that there are only two reasons for failure: unable or unwilling. We can teach the skills if someone is willing.

Pyle: It used to be you needed to work 50 hours a week and be open every weekend in the restaurant world. My former background was in banking, so to me, flexibility and hours are such an important piece to offer in a work-life balance. Being flexible in how you look at things can help that person's work-life balance. You never know when someone's situation could change. And because you weren't willing to give them that flexibility early on, you never got the chance to see what that person could have been. So whether a person can work one day a week, two days a week, or only on Mondays, Tuesdays, and Thursdays, we really have become a more flexible company. We've always had that approach, but we're starting to evaluate how to become even more flexible in the schedule and hours and keep work-life balance in mind when we're trying to operate a business.

How did you find employees to replace those you lost?

Punke: Our initial retention after opening back up after lockdown was nearly 95% because we put a lot of work into employee engagement. However, over time we lost people and started using technology paired with old-school "feet on the street" recruiting efforts to build a candidate pool.

Blackburn: We greatly increased the compensation and owned the headlines of recruiting ads with incentives where needed.

Morris: We are constantly recruiting, making more creative job posts and refreshing them so they stay closer to the top. We use a referral bonus after the new employee completes training and time with the company. I tell our managers that if you are always recruiting, you will be ready for unforeseen turnover. We always hire a good candidate no matter our staffing situation. We will find room. Having a quick initial application process is crucial in our industry. Onboarding is streamlined so we can get employees started quickly.

Pyle: We use a third-party platform. We do a lot of text-to-hire QR codes. We've started doing YouTube and TikTok advertising to get the younger generation to see that we're engaged and trying to engage with them for work. One of the things we've done as a company is to make hiring the most important thing. We're all invested in finding that great talent, whether at the manager level or an hourly employee we are trying to recruit. We also market to the team currently working for us. If there is a friend of an employee we like, we want to reach out to them. We've implemented a program where an employee can receive some money for a referral.

The other thing we have done with that third-party app is to have hiring times throughout the entire day, basically our business hours. So if you need to come in at 9 a.m. or 8 p.m., we're going to make sure we have someone there ready to interview you. We felt that having a wider time frame gives the applicant or interested employee more opportunities to be interviewed around their schedule, not our schedule. This past December, we had more applicants than in November, which was probably one of the first times we've seen that increase in applicant flow from the previous month.

Did you try any employee-retention strategies that simply failed?

Punke: Employee retention bonuses don't seem to work in the long run. If an employee wants to leave for another job, giving them a nice bonus might keep them for a short while, but they still will leave. Building a great working environment with great managers is a much better strategy.

Blackburn: Over the years I have tried gift programs, meal programs, and just about anything else you can think of. At the end of the day, an employee's take-home pay must meet their financial

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**This is historical representation of what some of our franchised stores earned as described further in Item 19 of the FDD. This information is based upon 102 of 187 Drive-Thru Kiosks that were open for at least 13 months during the measured period. There is no guarantee you will stay in business that long or that you will achieve the stated levels of same-store sales growth within that time period. Your results may differ. See Item 19 of the FDD for more information.

needs—not just the wage per hour, but how many hours they need. You must understand why they are working and need the money. An employee working for spending money or because mom and dad said so is much different from a single parent who has to provide for their family. Get to know your employees and work with them to provide not just income, but a safe and fun place to work.

Morris: We didn't use any retention strategies that failed. What I would say is that you can't just use one strategy. That will fail. Finding multiple ways to incentivize and build a fun culture goes a long way. For example, using a retention bonus can work, but it must bring ROI. Short-duration contests are a great way to keep things fun and engaging. Make it clear for everyone, measurable, and realistic.

What are you doing differently today attract and retain employees today compared with 3 years ago?

Punke: Spending more money on all aspects of recruiting than we ever have.

Blackburn: Paying much more and offering incentives to get someone to come and stay long enough to develop a relationship with our team so they can fully engage.

Morris: Emphasizing more with our store managers that we hire on the concept of traits over training. We need good people, not pre-trained baristas. Have your core values and do not deviate from those values.

Pyle: Every day, trying to get better. Three years ago, our training department really wasn't where it is today. We now have a director of training who has people underneath her dedicated solely to training. Every store has a training manager with trainers. We've invested our time, energy, and resources into training because we feel that if we train you correctly, we're giving you the best chance to be successful in our company. And when you know how to do a job and how to do it well, you're more likely to be happy in that job, as long as other factors are in play (culture, relationships, and benefits). We constantly evaluate and make sure we are staying competitive.

What role has technology played in strengthening your bench?

Pyle: It's been key for us, like the third-party text hire technology I mentioned. It's an automated confirmation, so we don't have to get involved in scheduling the interview. It allows you to click a link if you're interested and select from the available times. Then we send a follow-up text that thanks you for scheduling your appointment at our local "X" location. We still have the challenges of people not showing up, but we've eliminated some of the communication time it takes for managers—who are short-staffed and busy running our stores—to schedule that interview.

> What I would say is that you can't just use one strategy. That will fail. Finding multiple ways to incentivize and build a fun culture goes a long way.

Do you think the change in the employee landscape is here to stay?

Punke: Yes. Ours is an industry where our employees are licensed by state governments, and the education and licensing system cannot keep up with the growth and demand in our industry.

Blackburn: I believe that until there is a recession of sorts we are in for a long haul. I estimate that about 40% of the restaurant workforce moved on to other things, but I also estimate that half of those have already returned or will return. We must get used to doing more with fewer people, restructure our production and service model, and try desperately not to lose our identity. Every brand must serve up its promise. Those that do will thrive, and those that don't will die a slow death.

Morris: Yes and no. I believe Covid has changed how we look at everything for the foreseeable future. However, I believe the employee landscape will start to normalize. People have adapted and feel more comfortable coming back to work. States are beginning to institute more stringent guidelines for assistance. Many businesses that operate with front-line workers have had to adapt with fewer people. We will see more companies start to use more automation and technology as a result of the pandemic, which reduces headcount need. I can see that as an advantage for good operators in QSR to attract labor as people come back into the workforce.

Pyle: I think you could probably argue both sides of it. Whoever can solve the employee crisis is going to be the winner. For us, it's let's make sure we put our best foot forward for every person who comes in our door, show them No. 1, we are a caring company, No. 2, we're going to give you the training, and No. 3, that even if Freddy's isn't going to be your long-term career, the tools and the learning experience that you get from Freddy's will better prepare you for your next adventure.

What are two "best practices" you rely on for hiring and retaining great employees in 2022?

Punke: Recruiting and engagement through the hiring and onboarding process.


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Blackburn: Paying much more and advertising more with a key headline to capture interest. We also are migrating now to an artificial intelligence bot that will help process applicant interest and automatically schedule the interview at the store to help protect the valuable time of our managers. In our test locations, this is working great.

Morris: 1) Tell our story in the interview process and live up to it. 2) Continue to build our culture, grow our store count, and promote from within.

Pyle: Our focus is to be the employer of choice. Everything we do—our processes and the way we do things—is to become the employer of choice. We have a great culture. We build relationships. Our benefits package is very attractive. And as you keep growing with us, there are opportunities for growth, and with growth come different benefit levels and higher pay. Once we become that employer of choice, we can start overcoming some of the hurdles we are currently experiencing.

We try to focus on retaining our great employees through training. Once we get them in, we feel that if we have a dynamic training program, that sets the employee up for success. It also can show the culture we have built within our restaurants, the relationships our teams build with each other, and why they work for Freddy's. We feel that if we can do all that well, we increase our probability of retaining our employees.

> "OUR INDUSTRY MUST OPERATE WITH A SERVANT'S HEART AND TREAT YOUR TEAM LIKE FAMILY.

Anything else you recommend when it comes to hiring and retaining employees today?

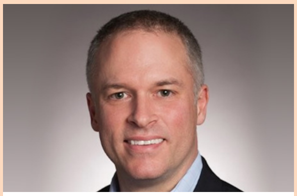
Blackburn: *If you're not serving a guest, serve someone who is.* Our industry must operate with a servant's heart and treat your team like family. Love them, nurture them, and provide a safe and fun place to work. My first job was in 1979 at a restaurant where the manager made us all feel so important and included. After that experience, nothing else compared, so I quickly migrated back to this industry to dedicate my life to hospitality and deliver on my promise, along with the promise of the brands I have served.

Pyle: It's the culture, it's the relationships. We always say that life is short, make sure you have fun as you do what you're doing. We try to create an environment that's fun, friendly, and one that when you're working for Freddy's you're going to enjoy. We really strive for that every day. ■

In This Article

Brian Pyle

David R. Blackburn



Fred Punke

Joshua Morris

Stress Management

How to train your employees to deal with unruly customers

Written By
JOHN DIJULIUS

Today businesses are operating within a set of unconventional circumstances, with two obstacles nearly all businesses in all industries have in common: staff shortages and supply chain issues. Both are significantly contributing to why overall customer satisfaction is at its lowest point in 15 years.

Customer rage seems to be at an all-time high. We all are hearing and seeing an increasing number of stories of customers becoming unruly, disrespectful, and displaying both verbal and physical abuse in industries such as airlines, hotels, and restaurants. First off, I want to be clear: *any* type of abuse toward employees is totally unacceptable and should be met with the firing of that customer. Hopefully, in most cases, we are talking about a small minority of customer scenarios.

As a result of the increase in anxiety, uncertainty, and business rules, we can expect that most customers are on edge and more easily annoyed. Expect customers to overreact. Therefore, we need to train our employees on the following.

How it is rational for customers to be irrational. Human anxiety has dramatically increased over the past 2 years. Many people are walking time bombs and triggered much more easily than ever. In any era, no customer enjoys being governed by company rules and policies. Think of how much these rules have increased today: "No mask, No entry"; "Must stand 6 feet apart"; "Must have proof of a negative Covid test"; "Must be vaccinated"; "Use hand sanitizer," etc. The list goes on.

Caution: These examples are not an open invitation to share your personal or political beliefs on any of these topics, nor am I judging companies that are enforcing these mandates. I am just demonstrating how businesses have had to increase their rules to their customers—and how customers might respond.

How to avoid empathy fatigue. Empathy fatigue usually occurs in industries that constantly deal with customers who have high emotional pain, like funeral homes, behavior therapy, or oncology. However, in today's world, *every* business is dealing with customers who have high stress and anxiety levels. This can cause employees to feel emotionally and physically drained, which leads to a diminished ability to empathize or feel compassion for others. This is why, as leaders, we must constantly be helping our employees reenergize, rejuvenate, feel appreciated, and understand the critical role they play in their customers' lives. This not only results in customers feeling better, but also in your employees less likely feeling burnt out.

How to avoid customers becoming upset. So many situations that fuel customers becoming upset can be avoided by keeping a few key strategies in mind. First, the majority of customer challenges come back to how well we manage each customer's expectations.

Recently, I had two dining experiences at two different restaurants. One left me extremely frustrated, while the other was pleasant. I was furious with the first restaurant experience because we waited an unusual amount of time for our meals to arrive. When I asked our server, she said that they should be right out. I responded agitated, "Please just box them up and bring the check."

The next time we went out to dinner, both the hostess and server said they were currently short-staffed in the kitchen, experiencing abnormally longer times to get the meals out to the tables, and that they were extremely sorry for any inconvenience this may cause. I responded, "I totally understand, that's okay. We are perfectly fine enjoying some wine and in no hurry." The food eventually came and we enjoyed it and left happy. When I thought about it afterward, both restaurants delivered our food in about the same amount of time. However, because the staff at the second restaurant was transparent and apologetic, it made us extremely understanding.

Second, it is not what we say, but how we say it. Employees can become robotic and come across almost rude when telling someone they must be wearing a mask or adhere to whatever policy or rule it is they must enforce. I know it gets old for employees to keep reminding customers, but that is what customer service is all about.

How to defuse and de-escalate when customers become upset. It is key that all your employees know how to properly react and handle a situation when a customer is inconvenienced and potentially upset. The key is that training must be easy to remember, effective, and easy to implement. I have seen dozens of different protocols. My favorite, which is both easy and effective, is called **L.E.A.S.T.**

- **Listen.** Give your customer your complete attention. Listen for the *real* reason the customer is unhappy. Never interrupt. Maintain eye contact and nod as the customer is speaking. When it is your turn to speak, speak softly.
- **Empathize.** When we listen and think from the other person's point of view, their message becomes much clearer. When we understand the customer's plight, the importance of every interaction becomes crystal clear.
- **Apologize.** Let the customer know how genuinely sorry you are that the situation happened. The customer is not always right, but never make them wrong.
- **Solve.** Do your best to solve the problem right there on the spot and make them happy. Take personal responsibility for solving the problem; act as an advocate for the customer. Be 100% positive the customer is completely satisfied.
- **Thank.** Thank the customer for bringing the issue to your attention and giving you the opportunity to make it right. Thank them for their patience and for being a loyal customer. ■

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.

Workplace Flexibility

4 ways to deliver what workers want most today

Written By
BRIAN SCHMIDT

While Covid-19 has unquestionably altered our world dramatically, perhaps nowhere is this more evident than in the workplace.

Right now we're in the midst of a workplace revolution at both the corporate level and on the hourly front lines. Where there was once a top-heavy balance of power held by the employer, today the employee-employer relationship is trending toward a more even partnership. Employers taking this approach help employees achieve a greater balance between their work and their life, which in turn increases employee satisfaction and improves overall productivity and morale.

Businesses are finding that today's employees have new priorities and values, and that workers increasingly are turning their backs on traditional incentives such as higher wages and added health benefits. Instead, they favor jobs that focus on *workplace flexibility.*

From a business perspective, investing in employees and their well-being also promotes loyalty and engagement. This naturally increases retention, ultimately helping your business be more successful.

For evidence of this transformation, my team at Snagajob surveyed 1,872 hourly workers about their holiday season employment wishes and found that 45% were looking for a more flexible work schedule in their next job. We also found that the number-one benefit hourly workers coveted this past holiday season was a flexible work schedule. Fortunately, savvy businesses are finding they can offer candidates this highly coveted benefit in many different ways. Here are four opportunities to provide the workplace flexibility today's employees want.

1. **Flexible hybrid work environment.** Long commute times, constant interruptions, and a stale work environment are just a few factors that make working "on-site" problematic. Feelings of burnout can increase in an environment that's not conducive to productivity and comfort. In many industries, providing employees with the option for a more fluid home-to-office schedule can give them the freedom of decision-making and the ability to adapt their work to a more personal lifestyle.

   However, this begs the question, What if the work cannot be done at home? For many hourly workers, the workplace is not replaceable. Instead, you can take the approach of flexible shift scheduling.

2. **Flexible scheduling.** Seven in 10 survey respondents reported that flexible scheduling is one of the top four things they look for in a job description. (The others were pay rate at 83%, number of hours or shifts at 79%, and benefits at 54%.)

   Scheduling is one of the many issues that has become a point of contention for both employees and employers. Yet this can be easily addressed. A possible solution here would be to implement an interactive and accessible scheduling system. This system can still be managed by your business, but taking this approach recognizes and values an employee's often busy, ever-changing schedule. This approach also honors their autonomy to make decisions about when they want to work.

3. **Flexible work structure.** Workers who relish the "gig economy" have never had more work opportunities than now. They can pick and choose jobs at will. To attract these desirable hourly workers, adopting a work structure that supports those looking to split their time between different jobs and different workplaces has many benefits.

   This work structure has been modeled by many popular work sites, including our own, which offers our Shifts platform for gig workers. This work format can be seen as a step toward the future of work. In addition, it provides a solution to the challenge of retention, while also giving employees the freedom to work when and where it best suits their changing needs.

4. **Flexible treatment of individuals.** We're all individuals with unique personalities and work habits. What makes one person more productive can make another person less so. This has been increasingly acknowledged within the white-collar workplace, where individuals are often given the freedom to work whatever hours they want and from wherever they want.

   This flexible treatment of individuals also can apply to hourly workers. In a flexible workplace, managers reinforce the treatment of employees as dynamic individuals and make an effort to accommodate personal styles and needs.

Bottom line

Employers who embrace flexibility will ultimately provide workers with greater latitude about how to best accomplish their goals, and how to work to achieve them. This involves acknowledging that, for an increasing number of employees, work is not life—and that employees at all levels have other priorities, such as children, other jobs, or the pursuit of education. Implementation of this workplace culture includes assessing an individual's needs and providing the necessary tools and guidance to help them optimize their desired experience.

Employees want and deserve flexibility. To be successful in recruiting and retaining today's workers, it's critical for your business to understand this evolution and take action to adapt your hiring to a post-pandemic workplace.

When all is said and done, employees are more responsive to a business that offers them flexibility. They appreciate a company that understands they're a well-rounded and busy person.

Looking ahead, as these workers seek more from their jobs, employers must begin to "flex" to people's needs. Only through this new freedom will you instill trust in employees, and ultimately grow and retain your staff. ■

Brian Schmidt is chief revenue officer for Snagajob.

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Retain Staff, Win Customers

5 tips to overcome today's labor shortage

Written By
JAYSON PEARL

In challenging times, the customer experience will set your business apart—for better or for worse. We share five ways to shine when recruiting for growth is tough (as in now).

We're all experiencing it. Longer wait times, lead times, and lines. More rings before a call is picked up—if it doesn't go to voicemail. The reasons are many, but the reality is the same: these days, many businesses can't staff enough people to meet demand, whether at the franchisor or franchisee level.

It's not just the labor crunch. Supply chain delays are affecting everything from silicon chips to potato chips. Frustrations are high because after a tough 18 months, just as demand is picking up, meeting that demand is difficult on many fronts.

Beyond the challenges we see every day is the stress we may not see on customer-facing employees. When demand is high and staffing low, your best team members—the ones you can always count on for great customer service and keeping a cool head—are stressed from working harder and dealing with frustrated consumers. Today, you can't assume that your rock stars are still rock solid.

With so much out of our control, it's more important than ever to focus on what we can control: the customer experience (which includes corporate staff and franchisees, as well as consumers).

All businesses might be facing similar challenges, but how they handle those challenges with customers can make the difference that results in higher revenue and profitability—and a true competitive advantage in customer loyalty and employee retention.

Here are 5 ways to win more customers and retain great staff in these challenging times.

1. **Go slow to go fast**
   Longer lines and hold times might be expected, might even be inevitable, these days. But they still detract from the overall experience. Customers might forgive the waiting, but they won't forgive a negative customer interaction after they've already given you grace. That's why the customer experience must shine. It starts with focusing completely on the customer, making an extra effort to smile, being pleasant, making a genuine connection, and showing gratitude for the opportunity to serve. The key is to make sure that front-line staff are taking that extra second to breathe and refocus on each customer. This extra moment to regain focus will save time by reducing the need to repeat information and reduce possible frustrations that may escalate, making a negative experience worse.
2. **Let's get real**
   In challenging times, it's critical to manage expectations—and then deliver. This can be done well only if front-line staff have the facts to share with customers *and* are empowered to do so. Long wait time? Out of a key product? Let the customer know the truth, give them options, and let them decide. They're more likely to forgive modifying their expectations, but they probably won't forgive a missed commitment or feeling like they weren't told the truth. In challenging times, integrity will be remembered.
3. **Put out the welcome mat**
   With challenge comes opportunity. For many businesses, product and labor shortages can mean that customers are shopping around more—and will be more likely to call your business for the first time. In dark times, great customer service shines brightly. Be ready to welcome new callers and create a Wow! experience. It starts by asking callers if you've had the chance to serve them before. For new customers, that Wow! comes from thanking them for giving you a chance to be of service, explaining how you work with customers, and showing sincere interest in their project or business.
4. **Explain and train to retain**
   Part of handling a labor shortage is to understand why you're short-staffed in the first place. According to a recent study by Indeed, the top reasons employees leave a job include not feeling challenged, not feeling valued, needing more feedback, and wanting a clear company vision. Investing time with front-line employees (and in-house staff) to help them focus on skills for success shows that their leaders care about their success and can deliver both the How and the Why in delivering a great customer experience. In a busy work environment, the key is having data-based insights on those skills that have the most impact on customer conversion and loyalty.
5. **Measure what matters**
   Business owners and operators today must juggle new challenges and changes and do more with less. The smart way to deliver for customers is to leverage tools that monitor the health of the business and provide insights into efficient ways to improve. Measuring the customer experience—especially for those critical first-time callers or walk-ins—sets the path for prioritizing training, hiring, and more.

Bottom line
One leader can't solve the labor crunch. However, understanding and setting up franchisees, their front-line team members, and corporate staff for a successful experience will have a big impact in setting your business apart at a time when a great customer experience is valued most. ■

Jayson Pearl is president of ServiceScore, a company that helps franchised brands get the results they want from phone calls. By reviewing and scoring actual inquiry calls, ServiceScore delivers actionable reports along with strategic insights to help improve conversion rates, customer service, and marketing ROI. Call him at 414-436-0040.

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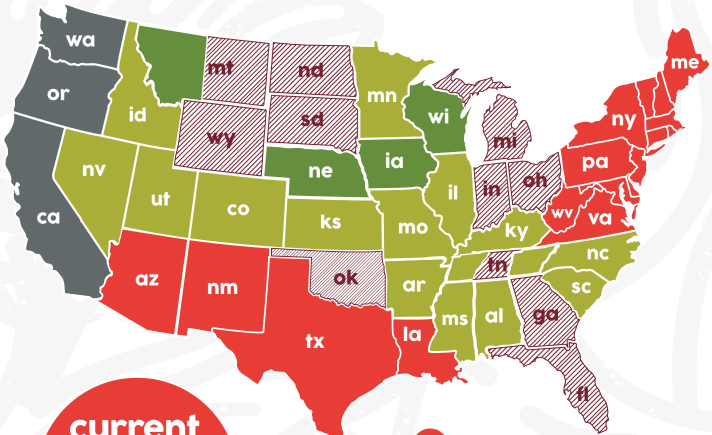

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Brooks Speirs

Vice President of Franchise Development
303-638-1722 · bspeirs@tacojohns.com

Open for Opportunity

Protecting the franchise business model

Written By
MATT HALLER

As multi-unit franchisees look at opportunities in 2022, it's important to assess the preceding legislative environment to understand what might be coming to a legislature near you in the year to come.

Legislative challenges to the franchise business model are a standard occurrence—one that the team here at the IFA is well-equipped to address on your behalf. But as we look to the future, every franchisee of every size—whether a single-shingle or a multi-unit regional franchisee—needs to engage and share why franchising is one of the most dynamic and widely used business growth strategies in the modern era.

Throughout 2021, the IFA fought hard for the franchise business model, developing a first-ever "Franchise Coalition" composed of numerous brands and trades to fight franchise-specific battles in Washington, D.C., and around the country, including the Protect the Right to Organize (PRO) Act, wage issues, vaccine requirements, and more.

Across the states, the IFA addressed a variety of policy proposals broadly related to worker classification and franchise relationships. Public policy that would harm franchising if turned into law was seen across California, Illinois, New Jersey, New York, and Oregon. And, as is often the case in state policy, when a bad idea is turned into law in one state, copycat versions of bad bills quickly appear in other states. Such was the case in 2021 when derivatives of California Assembly Bill 5 related to worker classification and joint employer issues were introduced—and defeated—in New York, New Jersey, and Illinois.

Recent public opinion and empirical research on the value of franchising fielded by the IFA highlights the need for franchisees to get involved and share their stories and community commitments more broadly. Franchising is an important aspect of the U.S. economy. In 2019, the economic output of franchise establishments in the U.S. reached nearly $787.5 billion and represented 3% of the country's total GDP. Contributing to this activity were about 8.4 million people who worked for a franchise business.

Franchising is an enabler of entrepreneurship for anyone with the grit and determination to succeed. Research indicates that in the small-business ownership realm, franchisees of color and female owners are represented at disproportionately high rates, thanks to the assistance the franchise business format affords. Team member wages and benefits at franchised establishments also exceed those offered by non-franchise businesses. Additionally, it is common in our circles for entry-level associates to work their way up to management and become franchisees themselves—creating generational wealth and positively affecting the communities they serve.

But there's a disconnect.

Among the general public, trust in franchise businesses is slightly lower than for non-franchise businesses. However, favorability toward franchise businesses increases dramatically when people learn more. The reality is most people's understanding of a franchise is at the point where service is rendered. They don't know what goes into making the local business work, or how opportunity is achieved by having a good job with benefits and upward mobility.

Public perception has an impact on public policy, and it's likely that the raft of bills challenging the franchise business model in recent years is directly related to the public's lack of knowledge on the industry as a whole.

As an entrepreneurial movement, we can seize this public education opportunity. We can share our story through the eyes of opportunity seekers and achievers across franchising. In September 2021, the IFA launched Open for Opportunity—a campaign to highlight the benefits found and opportunities achieved through the eyes and in the voices of franchisees themselves. Open for Opportunity highlights franchising's many benefits for the workforce generally, for multicultural and veteran communities specifically, and for the communities they serve.

In 2022 and beyond, the Open for Opportunity road show will be coming to a town near you to engage the public, influencers, decision-makers, and elected officials to make sure they know what you and I have known for a very long time: Franchising opens doors to opportunity. And I want you to be involved. You can put Open for Opportunity stickers in your franchise windows to signal your community commitment to your customers, attend or host a road show event, or—most importantly—share your story at OpenforOpportunity.com.

With more than 8 million Americans engaged in franchising, we have quite a story to tell. In 2022, are you open for opportunity? ■

Matt Haller is president and CEO of the International Franchise Association.

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Blueprint for Growth, Part 3

The value of a solid cash flow plan

Written By
BARBARA NUSS

In the first two articles in this 3-part series, we established the financial blueprints for these possible pathways to growth:

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

In this final article, we focus on building a financial blueprint for expansion.

So what is a financial blueprint? Simply put, it is a companion to your growth strategy that details the measurable goals for activities that, if achieved, will yield the results you seek. Your financial blueprint for growth demonstrates how the math pencils out for your strategy. To set actionable goals and measurable milestones for each strategy, *you must do the math.*

Make a cash flow plan

A franchise investor opening their second unit has an important advantage they didn't possess when opening their first: real financial information. Unfortunately, they also have a distinct disadvantage if they think working harder makes their investment scalable. Leadership skills are essential. We'll leave that topic for a future article. For now we'll focus on the financial blueprint.

With the knowledge gained from operating the initial unit, predicting monthly recurring expenses should be simple, especially once the location is selected and the rental expense is known. For many businesses, rent and staffing make up 80% or more of total expenditures. For others, equipment costs also are important. All of these are reasonably predictable once you have some experience with the franchise system.

It is normal for a business to need a capital injection to support growth, especially when adding a new location. To obtain adequate funding, investors must predict how much money they'll need, when they'll need it, how much will be borrowed, and how it will be paid back. Unfortunately, multi-unit investors commonly plan for long-term financing for franchise fees, buildout, and equipment, but fail to plan for adequate cash flow.

A new location starts its life in a race to profit. That is, it must reach breakeven-plus (i.e., become profitable) before the cash runs out. The cash flow needed to support the race to profit is typically the most difficult financial factor to predict. What's the solution? You guessed it. Do the math.

All franchise investors should have a cash flow plan that details monthly sales, expenses, profits, and cash flow for the first 2 years of operation. Most franchisors offer a P&L budgeting tool, but very few provide a tool for predicting cash flow.

A P&L budget is essential in predicting the cash reserves needed to win the race to profit. Many profitable businesses have failed because they didn't have enough cash to pay their bills. For the business to be "cash positive" it must earn enough profit to pay for growing inventory and accounts receivable, making long-term debt payments, adding equipment, and paying owner distributions. A robust forecasting template makes it easy to account for these things and shows the cumulative cash shortages so investors can plan for adequate cash reserves or borrowing.

Successful expansion requires a financing plan for long-term assets, pre-opening costs, *and* for the cash flow needed to support operations until monthly cash receipts exceed monthly cash disbursements. Without a cash-flow plan, multi-unit investors can find themselves back at the bank asking for an increase in their credit line when pressure from the new (underperforming) location makes it impossible to stay current with bills for the existing (mature and profitable) location.

How can franchisors help?

Franchisors avoid helping with financial forecasts before a unit or territory is open because this can be construed as promising a specific financial return (i.e., an earnings claim). Thus, many franchisees move forward without a solid financial plan. How can franchisors help? Through financial education and benchmarking.

- **Financial education.** Provide knowledge, financial skills, and tools. This includes a solid understanding of the many uses of breakeven analysis, and 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. Many franchisors require this training be completed *before* the new location is opened.
- **Financial benchmarking.** Collect, analyze, and share information that demonstrates what "good" (and achievable) performance looks like at various stages of maturity. For startups, customer metrics such as average ticket price and purchase frequency are extremely helpful. Benchmark these sales metrics, along with productivity, profitability, and cash-flow ratios so franchisees can construct reliable plans and obtain the financing they need to succeed.

If you don't have a tool to help owners create monthly budgets, make it priority to develop a good one in 2022. If franchisees typically have inventory, accounts receivable, or debt, your tool should forecast both profits *and* cash flow.

Do the math!

The blueprint to profitable growth through multi-unit expansion includes a solid understanding of the expected cost structure (variable cost percentage and monthly fixed costs). Breakeven analysis is an essential skill set for all business leaders, but profit planning is not enough. To build long-term wealth and business value by adding territories, multi-unit franchisees must budget for monthly sales, costs, profits, *and cash flow* for at least 2 years. Download a sample cash flow planner from our blog called "How Does Cash Flow?" ■

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.

See us at IFA on Friday, Feb. 25, where we will be presenting a full-day session, "Advanced Financial Essentials: Driving Profitable Growth Through Multi-Unit Expansion" at the ICFE special sessions.

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2022 Market Outlook

In search of the perfect mix

Written By
CAROL SCHLEIF

As the calendar rounds two full turns since Covid first burst on the scene, global citizens and investors alike are yearning for some return to normality. No one expects the new normal to look much like the old, especially given the time that has elapsed since March 2020. The forced pause in everything prompted a massive reassessment, but as 2022 progresses, we suspect at least some trends will revert toward somewhere in the middle.

Capital markets and the economy ran "hot" in 2021, even as supply chains and the pandemic ran "cold." Sorting out how these and other factors will interplay in 2022 will likely be as challenging as Goldilocks' search for the perfect porridge.

Many of the factors that dogged late 2021 (supply chain glitches, high labor turnover, decades-high spikes in inflation, commodity shortages, increasingly transmissible variants, renewed partial shutdowns, and enhanced mask/vaccination mandates) should begin to sort themselves out in 2022. Ironically, markets could face a more fitful time as the year progresses, even as the economy begins to sort itself into the new normal. Here are a few factors we suspect investors will be parsing this year.

Headwinds (what could go wrong)

Perpetual Covid. The delta, omicron, and other variants seemingly disabused the globe of the notion that we can ever truly get beyond Covid. Learning to live with vaccination, booster, and/or test mandates may become the norm—or may be "suggested," much as flu, pneumonia, and MMR vaccines are. It's not the joyous rebound track we thought we were on in June 2021, but it perhaps is a more realistic long-term version of our new, muted reality. That first gut punch from delta seemed to lessen with omicron. Additional variants will likely cause fewer and fewer overt responses until we collectively learn to live with the new reality of Covid's perpetual presence.

Tighter monetary policy. As 2021 ended, many central banks around the globe communicated their intent to begin withdrawing some of the historic levels of stimulus that had been in place since the Covid crisis began. In the U.S., the Fed communicated the drawdown of its balance sheet, and markets were pricing in the expectation of two to three rate increases beginning as early as spring 2022. This reversal in stimulus means the economy and the markets must stand on their own as the Fed will be unlikely to reverse course, even if the economy begins to slow.

Margin pressures. Cost pressures on companies will likely remain high, especially for wages and capital expenditures. Workers will remain picky and hard to come by. Some of these costs were passed along in 2021, and consumers with pent-up demand and aid-enhanced balance sheets paid up. Given the role of many aid programs and the satiation of the first burst of pent-up demand, passing along increased expenses may be tough in 2022. Higher wages, higher input costs, and increased capital expenditures are all likely to pinch margin progress.

China and SE Asia pressure. China's zero tolerance policy on positive Covid cases led to rolling factory and port shutdowns throughout late 2021, a policy likely to be maintained in 2022. This makes it tough for investors to predict impacts on global supply chains. Additionally, Chinese leadership has stepped up its oversight and intervention in tech companies and other market activities within China, causing an extra layer of angst and assessment from companies wanting to do business there.

Tailwinds (what could go right)

On the plus side of the ledger, several key things should support economic progress in 2022. However, it's important to remember that markets are forward-looking discount mechanisms, and at least some of this may already be at least partially discounted in market valuations.

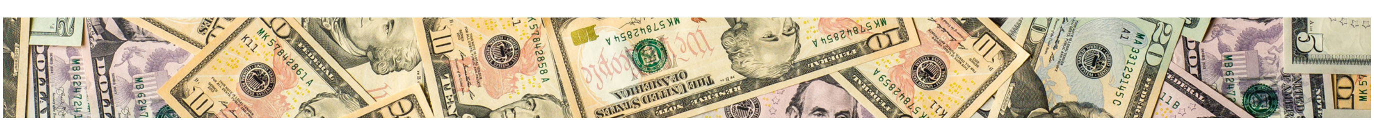
Capital spending. This has been on the rise and is likely to continue as companies invest in robotics, manufacturing capacity, AI, and other tech. Some of this is in response to the worker shortage, and some is in response to repositioning supply chains and manufacturing capacity closer to home. "Just in time" has definitely become "just in case" inventory management. The proposed $1 trillion infrastructure bill will trickle additional funds into important infrastructure projects in a wide variety of industries and locations, and is likely to prompt additional knock-on investments by state and local entities.

Logistics and supply issues at the margin seem to be easing. Suppliers' early and often communication meant most of the Christmas selling season happened just fine, and sellers and participants all along the chain have several quarters to continue to get things sorted before the next active period (back to school). It's important to remember the system wasn't broken per se, just stressed by additional demand and by the largest manufacturers and retailers stressing the system further with their own workarounds.

Healthy businesses. Companies proved time and again their ability to pivot quickly in the face of reduced and then rapidly accelerating and shifting demand. Many trends already in place (telemedicine, AI, robots, enhanced shipping, work from home) accelerated during the pandemic, and business models shifted. This proved to companies how adaptable they can be, though it's hard to dodge and weave that actively as an investor.

As 2022 gets under way, investors have much to parse to determine where the sweet spot of growth is: just enough activity to not spawn runaway inflation. A steady pace of growth with moderate price increases has proven to be a sweet spot in markets past. It will be interesting to see if Goldilocks is happy with the mix in the months ahead. ■

Carol Schleif is deputy chief investment officer at BMO Family Office, a wealth management advisory firm delivering investment management services, trust, deposit, and loan products and services through BMO Harris Bank. To learn more visit www.bmofamilyoffice.com.



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Consolidation Trends

How the pandemic is affecting M&A for MUOs

Written By
CARTY DAVIS

As well as franchisors, operators, investors, and lenders have done adapting to continued evolving conditions since March 2020, labor, commodities, and supply chain issues still remain at the forefront of everyone's mind. This affects operators and stakeholders not only in assessing their existing operations in conjunction with budgeting and planning for 2022, but also in evaluating new opportunities for both generic growth and acquisitions.

Operators, investors, and lenders are paying attention to what brands are doing well, which operators are outperforming their peers, and the availability of capital. Now with increased concerns and new infection risk related to the omicron variant, the industry is coming to the realization that Covid and the surrounding uncertainty related to the virus will continue to factor into business and acquisition planning for some time. Nonetheless, M&A activity over the past year has been robust, with larger, stronger brands and operators continuing to buy up their competitors and/or fellow franchisees.

Like other changes, such as the explosion of food delivery, that seemingly evolved out of the pandemic, M&A and broader industry consolidation trends within the multi-unit space were already in motion before the onset of Covid. And while the pandemic may not have directly been the cause for these changes, it certainly has accelerated much of the M&A and consolidation activity that the industry has seen over the past year and that the industry will continue to see going forward. Key factors driving consolidation include:

Aging franchise systems. These are long-established legacy brands with aging franchisee bases looking to transition their businesses.

Increasing business complexity. The franchise and multi-unit space have become increasingly complex and difficult with no signs of slowing down. Larger brands and operators with resources in accounting, HR, operations, training, marketing, and development are more adept at dealing with a complex operating environment.

Increased capital requirements/availability. Capital is more readily available and at better terms for larger brands and operators. Banks and other capital providers view that the larger an operator is, the lower the risk, and will typically support larger brands and franchisees with remodeling and development requirements, as well as with acquisitions.

Franchisor involvement. Franchisors are more and more involved in driving and steering franchisee-to-franchisee transactions, favoring larger, well-capitalized operators that want to grow markets and develop stores, and influencing buyer pools.

High-level outlook

While the key factors driving consolidation already were in motion before Covid, there is little question that the pandemic influenced and accelerated consolidation trends at a macro level. The multi-unit franchise space effectively experienced three business cycles over the past year. Over that time there have continued to be winners and losers across different segments, geographies, brands, and operators. Some brands and operators managed through the initial waves of Covid, sustained in part by PPP loans and other relief that provided the liquidity needed to remain a going concern. Others thrived, especially those with strong digital platforms, multiple revenue channels, and a profitable off-premise service model (e.g., drive-thru window, curbside carryout, or third-party delivery).

The initial waves of the pandemic were followed by what has been one of the most critical labor shortages in recent memory, forcing operators to modify operations, reduce store hours, or even close certain days altogether. In response, the industry as a whole has been forced to raise wages and provide additional incentives to attract and retain employees.

And, just as operators are trying to manage through the labor shortage, the restaurant industry has been hit with unprecedented commodities and product cost increases caused by inflation and supply chain issues. To counter increased food and labor costs and maintain profitability, the industry has been forced to respond with significant price increases to limit margin deterioration.

These macroeconomic challenges have tested the resolve of many operators and franchisees. For some, their people and teams are tired. The rapidly changing operating environment over the past year and the related pressures and demands have caused some owners to rethink their timetable for an exit. Additionally, as brands increasingly push for new development, they are pressuring franchisees to expand unit counts and are aggressively pushing image and facility upgrades.

While many of the enhancements are necessary as brands look to adapt to a new competitive environment where convenience and experience are paramount, for franchisees considering a sale, these increased capital requirements may ultimately cause them to exit. On the other hand, groups that have the capital and are able and willing to grow are gaining favor with franchisors, who in turn are supporting their growth and consolidation.

In addition to brands and operators, many investors in multi-unit businesses are reevaluating their timetables, growth objectives, and liquidity alternatives. Many franchises and multi-unit businesses have multiple owners with different ages, risk tolerance, and outlooks for the future. In most cases, the pandemic has increased conversations—and often divisions—on growth, liquidity timing, etc.

While nobody can say for certain what the future holds, it is safe to assume that the consolidations trends that everyone has seen pick up over the past year will continue into the future at all levels. ■

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

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Lessons from the Pandemic

How Covid is changing franchising

Written By
DARRELL JOHNSON & CHRISTINA NIU

Just how resilient is franchising?

Franchising is a model designed for rapid expansion. Typically, when an industry shows attractive economic and social trend appeal, you will see more franchise activity. But what about during a pandemic, when whole swathes of the economy are challenged?

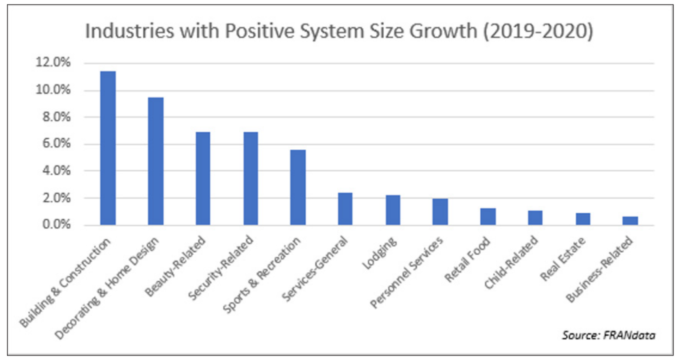
Which industries continued to experience franchise growth and, conversely, which shrank? How well did they perform, and how much "new" unit activity was there? In a typical year, we see about 300 new brands emerge. What about an atypical year like the one we just experienced? As you consider your next franchise investment opportunity, let's shed some light on these questions.

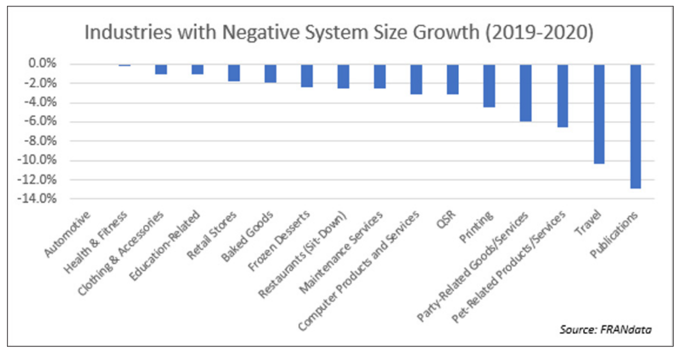
We've compiled full-year 2020 data and some early 2021 data and can now compare franchising just before and during the pandemic. Clearly, the story is still being written and there are a lot of factors influencing outcomes so far (both positive, such as PPP and other support programs, and negative, such as local government-imposed closures and labor challenges). However, from a multi-unit operator investor perspective, there are some interesting insights to be gleaned. Here are just some we found.

Industry performance analysis

Our research team looked at sector-level system growth trends, continuity rates, and new openings between 2019 and 2020. Overall, three industries stood out and achieved the strongest growth (highest system size growth rate, increased number of new openings, and continuity rates), outperforming other brands despite the pandemic: Decorating & Home Design, Building & Construction, and Retail Food.

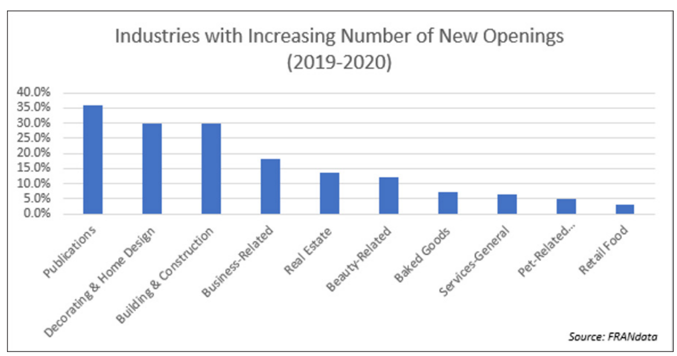
Unit growth

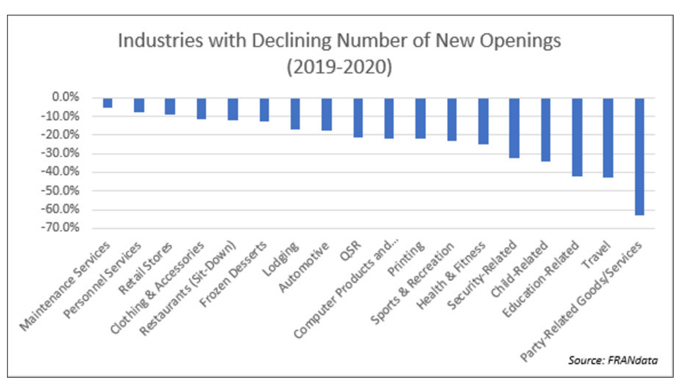




On average, the system size of brands in franchising declined by 1.1% between 2019 and 2020.

Unit openings





On average, the number of new unit openings across sectors in franchising declined by 9.9% between 2019 and 2020.

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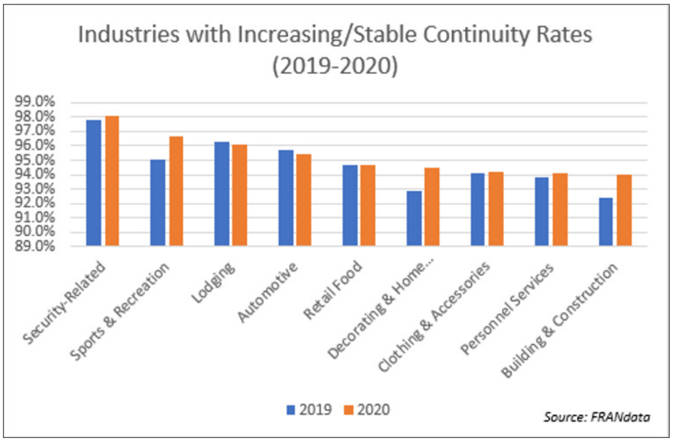
Continuity rate

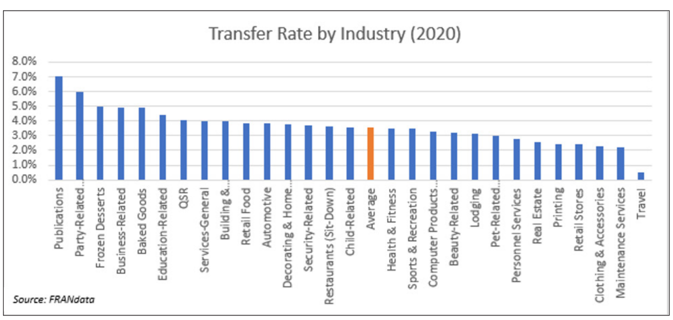


Continuity rates improved or remained stable for only 9 industries between 2019 and 2020.

On average, continuity rates in franchising declined from 94.4% to 92.5% during the same examined period.

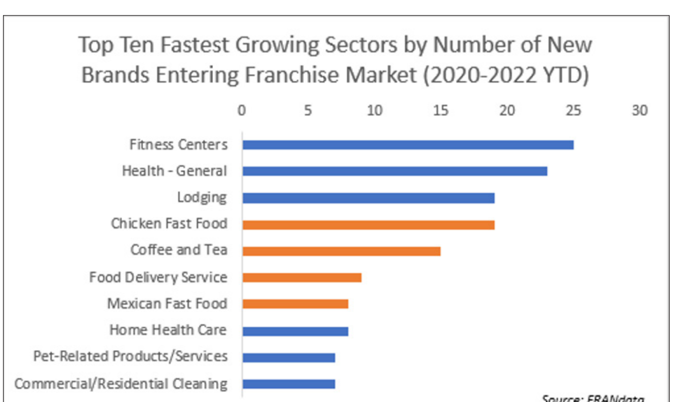
Transfer rate

Understandably, average transfer rates across sectors dropped from 4.2% to 3.6% between 2019 and 2020. When economic activity comes to a halt in many industries, buying and selling of franchised units should be expected to decline. Under the circumstances, the level of decline seems relatively modest.



New brands analysis

Surprisingly, a lot of phoenixes rose from the ashes in 2020. Is it blind optimism or a signal of post-Covid opportunity? Our database shows that approximately 409 brands began offering franchising after the pandemic started. The 10 sectors listed below are the fastest-growing sectors that have the highest number of new brands entering their space.



Fitness Centers. This category is still among the top fastest-growing segments, despite the pandemic. However, we are seeing more mobile fitness concepts or brands offering virtual, personal, and small-group training sessions, adapting to changing consumer behavior during Covid.

Health-General. There are a mounting number of new concepts offering alternative medicine and health, including vitamin IV infusion and rejuvenation, mental and behavioral health services, occupational therapy services, and more.

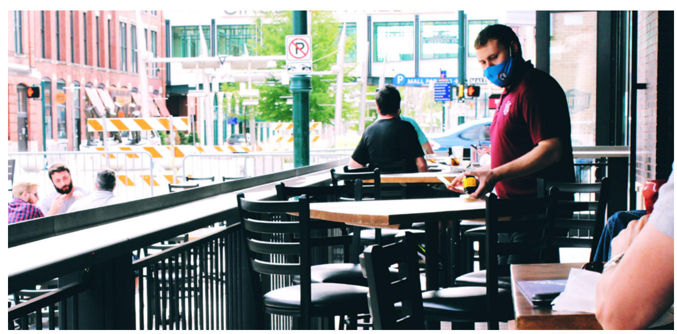
Food. Popularity in the food industry was found in the chicken fast food, coffee and tea shops, and Mexican fast food spaces.

Food Delivery Service. This sector also is on the rise, mirroring the booming demand from customers ordering food delivery off-premises.

Commercial/Residential Cleaning. An increasing number of new commercial/residential cleaning concepts focus on disinfecting and sanitation services as their major service offerings.

Pet-Related Products/Services. Franchises that offer pet care services also experienced significant growth as an increasing number of the population became new pet owners seeking companionship when stay-at-home orders were in effect. After people began returning to work, the need for pet sitting and other care amplified as well.

Conclusions



Clearly, the franchise business model is resilient. 2019 was a big year in franchising. During the first full year of the pandemic, franchise system expansion on average was only down less than 10%. Lots of sectors had healthy growth. And new brand growth was at a record level.

New brands give both a positive signal of opportunity at the sector level and insights into how new offerings, designed to meet post-pandemic consumer needs, will look.

Is the franchise business model surviving? Indeed. Is it thriving? It's too early to judge, but certainly a positive preliminary pattern is emerging. As you look to new investment opportunities, there are some very good signals in this data. ■

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.

Christina Niu is a senior researcher at FRANdata.

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Please note that the information contained on this promotion does not constitute the offer of a franchise and that such offers will be made only in conjunction with the presentation of the World Gym Disclosure Document in states where we are first registered, excluded, exempted or otherwise qualified to offer franchises in that state.

AD INDEX

DIVERSIFY YOUR PORTFOLIO

FINAL OPPORTUNITY TO TAKE ADVANTAGE OF THE INDUSTRY'S LEADING CONVERSION INCENTIVE

LOW CONVERSION COST BETWEEN $250-$500K*

$0
FRANCHISE FEE**

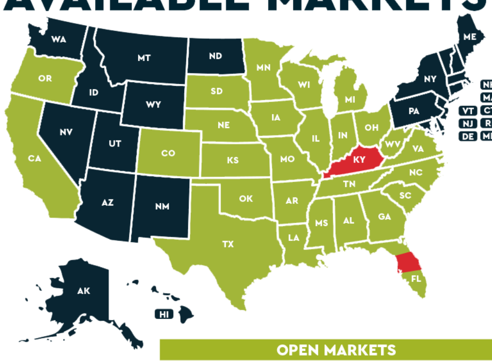
$0
ROYALTY FEE YEAR ONE

- No initial Franchise Fee ($40K Savings**)
- No Royalties Year 1
- Reduced Royalties Years 2 & 3
- Short 5-year term option

IT'S ALL IN THE #S

214 LOCATIONS & GROWING	**10** SIGNED CONTRACTS IN 2021 FOR 64 LOCATIONS	**20** LOCATIONS OPENING IN FY22	**33** YEARS AS AN INDUSTRY LEADER	**+22** SAME STORE SALES

AVAILABLE MARKETS



OPEN MARKETS
ACCELERATED MULTI-UNIT GROWTH MARKETS
SOLD OUT MARKETS

"The success of our conversion strategy and the zero franchise fee, zero royalty fee in year one has been a driving force in our tremendous growth. The incredible fact is many of the conversions are being done for under $350,000 and some for under $300,000 and they can be open in 90 days. When you add up our exceptional sales numbers and unmatched conversion strategy, we have a winning growth formula."

CARL T. HOWARD
PRESIDENT & CEO

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Steve Bailey
Senior Director, Franchise Sales
steve.bailey@fazolis.com

David Boatright
Director, Franchise Sales
david.boatright@fazolis.com

*Pending conversion site. **$0 Franchise Fee when selecting five year initial term conversion option. LIMITED TIME ONLY.

MULTI-UNIT FRANCHISING CONFERENCE

Mar 29 – Apr 1, 2022
Caesars Forum
Las Vegas, NV

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oche

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Mr Jeff

Northern Bank

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boeFly — Accelerating business forward.

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THANK YOU

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- Golden Corral
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