Multi-Unit Franchisee

Q2 | 2022

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SERVING FOOD & COMMUNITY

Texas restaurateur is passionate about people

Written by Kerry Pipes

DREW GRESSETT

Title: President
Company: 1788 Chicken
No. of units: 37 Zaxby's, 26 Hat Creek Burger
Age: 40
Family: Wife Shelby, children Lucy Bell 10, Laine 8, Winnie 5
Years in franchising: 5
Years in current position: 5

Drew Gressett's journey into franchising began with a food trailer in Austin, Texas. He opened the windows on his mobile diner in 2008, serving up burgers, fries, and shakes and building a following among locals. His own Hat Creek Burger was off and running.

Within a few years, he was opening Hat Creek Burger restaurants and catering events all over the central Texas city. Today, he operates 26 of the burger restaurants, characterized by friendly and helpful service, play yards, and burger patios. He's taken the company from its origins in central Texas to markets in Dallas-Fort Worth, Houston, and San Antonio.

By 2016, Gressett was looking for something else to diversify his business. He found it in Zaxby's, the Athens, Georgia-based chicken brand. He opened his first location and has never looked back, eventually growing his Zaxby's holdings to 37 locations in Georgia, Tennessee, Arkansas, and Mississippi.

"Zaxby's offered me a concept that had the stability and longevity that complemented my own company," says Gressett, president of 1788 Chicken. Networking introduced him to another Zaxby's franchisee, and the two partnered to begin acquiring Zaxby's locations in the Southeast. "The community and the culture of Zaxby's has been awesome," he says.

Gressett will be the first to tell you that hiring and developing a good team is key to growing the business. "I want them to feel empowered," he says. "One way I do that is by tossing them into the deep end, but provide a life raft."

This year Gressett says he plans to continue working his development pipeline for both Zaxby's and Hat Creek Burger in an effort to increase efficiencies and profitability for both brands. "I'd also like to find another brand to invest in that would bring even more diversity to the company," he says.

With his track record of success as both an independent entrepreneur and a fast-growing Zaxby's franchisee, a third brand in his portfolio is a pretty safe bet.

PERSONAL

First job: Working at a golf course as a cart boy, cleaning golf carts, picking up range balls, and escorting bags to their carts.

Formative influences/events: No question that my dad has been a huge influence. He taught me business, was a constant sounding board, and provided mentorship. He is always a phone call away to help navigate or work through challenges or for celebrations. He also is in franchising and involved in burgers and chicken.

Key accomplishments: Personally, marrying my beautiful wife and starting my family. Professionally, getting into the Zaxby's system with my first store in 2016 was a big moment.

Biggest current challenge: Hiring, training, and retaining the right talent and people is a constant challenge.

Next big goal: Develop several ground-up Zaxby's, expand Hat Creek, and find a third brand to acquire to diversify my portfolio.

First turning point in your career: Opening up the third Hat Creek in 2011. Acquiring our first Zaxby's in 2016 was an equal and similar turning point.

Best business decision: Getting into the Zaxby's brand and taking Hat Creek to Dallas.

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*This figure represents the net sales achieved for calendar year 2021 at five (5) affiliate owned restaurants and eight (8) franchised restaurants. **This figure represents the average EBITDA achieved for calendar year 2021 as a percentage of consolidated net sales at the same five (5) affiliate owned restaurants and eight (8) franchised restaurants. *** This figure represents the Median Initial Investment to open the same five (5) affiliate owned restaurants and six (6) of the same eight (8) franchised restaurants above, all of which were opened in Second Generation Sites. Second Generation Sites are restaurant locations where the operator utilized a premises that was previously operated as a restaurant and therefore requires less initial investment to open and operate. Most Angry Crab Shacks are opened in Second Generation Sites. Each of the included restaurants were open for all of calendar year 2021. This information appears in Item 19 of our Franchise Disclosure Document (FDD). You should review our FDD for details about these results. Your results may differ. There is no assurance that you will do as well.

Hardest lesson learned: If you build it, they won't always come. You need discipline on real estate and site selection. I've had more wins than defeats, but would always prefer all wins.

Work week: Monday to Friday, 8 a.m. to 6 or 7 p.m., market travel, and seeing my stores week in and week out when I can.

Exercise/workout: Very often. I can't function unless I have done something—running, mountain biking, weight training. I spend a decent amount of time on the Peloton.

Best advice you ever got: Assume the best in others.

What's your passion in business? There are a lot of reasons I do what I do. I enjoy spending time with my team and hearing firsthand what's going on. The people side of it drives me. The relationships within our organization are a passion of mine.

How do you balance life and work? I have a great team that allows me to work my own schedule. I can work from home or in the field. My family and kids always come first, but my family also allows me to do my job. I can blur the lines when I need to and work in the presence of my family.

Guilty pleasure: Weekday golf. (Ha-ha, it takes 4 hours to play a round.)

Favorite book: *Lonesome Dove.*

Favorite movie: "Lonesome Dove."

What do most people not know about you? That I am a homebody.

Pet peeve: When my girls play volleyball against the wall.

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

Last vacation: North Carolina mountains, hiking and relaxing.

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

MANAGEMENT

Business philosophy: Build the right team, empower your people, and apply pressure.

Management method or style: Toss 'em in the deep end, but provide a life raft.

Greatest challenge: Keeping everyone motivated, and communicating with direction while we grow.

How do others describe you? Motivating, hands-off but helpful, loud, high expectations.

One thing I'm looking to do better: Slow down and provide clearer direction. Take a little more time to explain and direct my team.

How I give my team room to innovate and experiment: This goes back to my management style: Throw 'em in. I want my team to use their minds and expertise to bring thoughts and recommendations in areas where my skill set isn't the best.

How close are you to operations? *Very.*

What are the two most important things you rely on from your franchisor? Culture of the franchisor and clear communication.

What I need from vendors: Timely deliveries, thought partners, and clear communication.

Have you changed your marketing strategy in response to the economy? How? No. We have a very community-driven marketing strategy, so we always try to be community partners.

How do you hire and fire? HR leans on third-party tools to vet the right candidates and get them through the right process. We fire when team members don't meet expectations and are not willing to make the necessary changes to be part of the team. We free them up to seek employment elsewhere.

How do you train and retain? We train the front and back of the house with our materials and programs. We have a culture element that is also part of our training. As far as retention, we expect our supervisors to foster an environment and culture of relationship. This builds loyalty and allows space for communication, growth, etc.

How do you deal with problem employees? We try to correct and retrain when we can. We want to allow a chance to improve. Be forgiving to a point, but know when it's time to move on.

Fastest way into my doghouse: Bad or lack of communication.

COVID-19

How did Covid-19 affect your business? Thankfully, we are a drive-thru business so we had the opportunity to stay open. This presented an opportunity to become faster and more efficient in the drive-thru.

How have you responded? Our dine-in portion is starting to return, but the positives from the drive-thru will remain.

What changes do you think will be permanent? See above.

BOTTOM LINE

Annual revenue: N/A.

2022 goals: Continue to grow with our development pipeline for Zaxby's and Hat Creek. So 2023 is a big year for stores opening! Continue to find ways to drive efficiency for both brands.

Growth meter: How do you measure your growth? Increased profits.

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Average revenue per store for top 25% of stores*

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Average contribution per store for top 25% of stores*

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*This information reflects the Average Revenue and Average Contribution for the Top 25% of The Vitamin Shoppe company-owned stores which were open for more than a year as of fiscal year end 2021 and were operating in at least 3,000 sq ft of space. Of these 134 stores, 51 attained or surpassed the Average Revenue and 62 attained or surpassed the Average Contribution described above. We refer you to Item 19 of our 2022 Franchise Disclosure Document for additional information. A NEW FRANCHISEE'S RESULTS MAY DIFFER FROM THE REPRESENTED PERFORMANCE. This is not intended as an offer to sell, or the solicitation of an offer to buy, a franchise. Offerings made by prospectus only and in compliance with the applicable pre-sale registration and disclosure requirements in your state.

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Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, still growing this business to 100 units each and potentially adding that third brand. In 10 years, more of the same.

Do you have brands in different segments? Why/why not? Nope. I am open to other opportunities, but food has been the main focus.

How is the economy in your regions affecting you, your employees, your customers? In the Southeast we have been lucky to remain strong. We have a good demand for our products.

Are you experiencing economic growth in your market? Yes. Store growth has increased over the past 18 months thanks to the drive-thru. Our burger brand has had nice year-over-year growth over the last 4 to 5 months.

How do changes in the economy affect the way you do business? You keep your head down and keep treating customers and employees well.

How do you forecast for your business? With a week-over-week and year-over-year look at labor forecasting, and a year-over-year forecast for 6- and 12-month budgeting. It's a bit of an imperfect science to predict.

What are the best sources for capital expansion? Community banks and flexible and patient investors.

Experience with private equity, local banks, national banks, other institutions? Why/why not? Yes, we have worked with most.

What are you doing to take care of your employees? It all goes back to the relationship piece: competitive pay and opportunities for growth.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? Just making sure we are competitive and fair so we can retain our people and acquire the best talent.

What laws and regulations are affecting your business and how are you dealing with them? Not a ton of issues in the markets we are in. We work with the necessary parties to be fair and compliant.

How do you reward/recognize top-performing employees? We have employee of the month in all our units, various bonus programs for high performers, quarterly district manager outings with recognition to lead performers, and weekly shoutouts to team members who have gone above and beyond.

What kind of exit strategy do you have in place? I am "in it to win it" and not currently focused on an exit strategy. I'm hoping to keep this in the family, whether it's bloodlines or partners currently in the business. ■

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*Three store minimum. Previous management experience in multi-unit restaurant operations required. Weekly royalty fees will be waived for the first 52 consecutive Reporting Periods (as defined by the franchise agreement) for each Restaurant that you open, beginning on the date that the Restaurant is open for business to the public. Total waived for each Restaurant cannot exceed $50,000. Limit first three stores. Waivers are subject to full compliance with the terms of your franchise agreement and area developer multiple unit agreement ("ADMUA"), including opening the Restaurants in accordance with a pre-determined development schedule. Initial non-refundable Franchise Fees due at signing. Agreements and areas are non-transferable. Available for a limited time only. Other terms and conditions may apply in accordance with the franchise agreement and ADMUA. Limited to pre-selected areas in the following states: AL, AR, AZ, CO, DE, GA, IL, IN, KY, LA, MI, MS, NV, NC, OH, OK, PA, SC, TN, TX, UT, WV.

**Based on Gross Sales of the top performing 25% (or 70 units) of Hungry Howie's Franchised Units that were open for the entire 52-week period from December 28, 2020 through December 26, 2021. "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 2022 Franchise Disclosure Document for additional information.

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

COUPLE OF OPPORTUNITY!

Husband-and-wife team score a new brand at MUFC

Written by Kerry Pipes

KALEB WARNOCK

Title: President, CEO
Company: FloWar
No. of units: 5 Tropical Smoothie Cafe plus 2 in development, 2 Marco's Pizza plus 1 in development, 3 Hand & Stone Massage and Facial Spa in development
Age: 41
Family: Wife Patricia, 5 children
Years in franchising: 5
Years in current position: 5

Attending last year's Multi-Unit Franchising Conference in Las Vegas paid off big for Kaleb and Patricia Warnock. That's because the husband-and-wife franchising couple were introduced to Hand & Stone Massage and Facial Spa during the event. Signed development deal in hand, they are now preparing to open their first of three locations in the El Paso market later this year. They will be the first to bring the Hand & Stone brand to that West Texas city.

The couple have been a quick study in multi-unit franchising success. They already operate five Tropical Smoothie Cafes with two more in development, and two Marco's Pizza locations with another in development in the El Paso market.

"After building a successful food service portfolio over the past several years, we knew it was time to diversify with a new segment and are tapping into the thriving wellness market with the industry's leading spa franchise concept," he says.

Before getting hit by the franchise bug, he spent 5 years in the U.S. Navy and another decade working for government services in El Paso before joining the ranks of entrepreneurs in 2016. During the past 5 years, he and Patricia have developed a franchise portfolio consisting of several successful Tropical Smoothie Cafes and Marco's Pizza locations, in addition to the construction company Patricia owns.

There's a common theme to the Warnocks' business approach: healthy concepts and service. "Since we started our businesses, we've helped so many people, not just our customers, but our managers, our crew members, and our community," he says.

For now, the couple is focused on expansion with all three brands. Kaleb says that he and Patricia have set out to build an empire with a 10-year goal of becoming billionaires. "We started that goal in 2016 and we're halfway there."

PERSONAL

First job: Military police officer for the U.S. Navy.

Formative influences/events: Marrying my wife, Patricia. She is the person who has made it all happen. She's always been very supportive of everything I've wanted to do and is 100% in it with me. She's an equal partner in our franchises and owns her own construction company in El Paso. She's my motivation to keep going and keep moving.

Key accomplishments: Building a portfolio of 10 franchises in under 5 years. I was also awarded the El Paso District Veteran-Owned Small Business of the Year by the SBA during National Small Business Week in 2020, which meant a lot to me.

Biggest current challenge: Time management. In business, you're the only one who pushes yourself to get stuff done. Managing family life and business is so important, and it's something you must do daily.

Next big goal: I would like to get into farming and agriculture.

First turning point in your career: After leaving the Navy, I worked for the Border Patrol in El Paso and thought that health was something that was really being neglected all around. Patricia and I wanted to be part of the trend to change that—giving people back healthy concepts and service while being involved in our local community.

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

Best business decision: Taking that first jump into franchising even though we didn't know how to do it. It's a scary leap of faith. It's not really a business decision; it's trusting that everything will work out.

Hardest lesson learned: It's something that happens all the time: You can lead a horse to water, but you can't make it drink. Being as people-focused and community-oriented as we are, we always want to help people, but in some cases, no matter how hard you try, not everyone is willing to help themselves.

Work week: Monday to Sunday, 24/7.

Exercise/workout: Right now it's tough with kids. Our youngest is 3. I'm a family man first, so I find pockets of time to do small things at home. Eventually I'd like to reestablish a routine in the mornings before work.

Best advice you ever got: The greatest danger in most of our lives is not that we aim too high to miss our mark, we aim too low to achieve it.

What's your passion in business? Healthy concepts and service. Since we started our businesses, we've helped so many people, and it's not just about service to our customers. We aim to be of service to our managers, our crew members, and our community and make a lasting impact in their lives.

How do you balance life and work? I integrate the two: my life is my work, and my work is my life. I include everybody.

Guilty pleasure: Chocolate. I absolutely love it.

Favorite book: I have two. *Think and Grow Rich* by Napoleon Hill, and *Good to Great* by Jim Collins.

Favorite movie: "Batteries Not Included."

What do most people not know about you? Nothing. I'm an open book.

Pet peeve: Not being able to do what I said I was going to do.

What did you want to be when you grew up? Police officer.

Last vacation: Disney World.

Person I'd most like to have lunch with: Rick Francis. He's the chairman and CEO of WestStar Bank, a locally owned community bank serving the El Paso, Las Cruces, and Northern Mexico area. He's become a billionaire, which is a goal of mine, so I'd love to sit down and have a one-on-one conversation.

MANAGEMENT

Business philosophy: Treat others the way you want to be treated.

Management method or style: I don't think I subscribe to one specific management method or style. I just try to create a family atmosphere and keep that people-first approach at the forefront of everything I do.

Greatest challenge: Building leadership.

How do others describe you? Depends who you ask.

One thing I'm looking to do better: Patricia is such an integral piece of our businesses. I'm always looking to be a better husband to her.

How I give my team room to innovate and experiment: I empower them to try new things, but I always try to stay close enough to pick them back up if they fall.

"THE GREATEST DANGER IN MOST OF OUR LIVES IS NOT THAT WE AIM TOO HIGH TO MISS OUR MARK, WE AIM TOO LOW TO ACHIEVE IT."

How close are you to operations? I try not to be because I feel the closer I am, the less I'm actually empowering my team.

What are the two most important things you rely on from your franchisor? Training and training again. That should always be a top priority.

What I need from vendors: Consistency.

Have you changed your marketing strategy in response to the economy? How? Fortunately, we haven't had to change it at all because our primary focus is on our people and taking care of our community.

How is social media affecting your business? Social media has provided us with a way to further promote our businesses and drive engagement, but because we're so deeply involved in our local community we don't depend on it.

How do you hire and fire? I follow my dad's advice. He always told me to hire slowly, fire quickly.

How do you train and retain? Training is the number-one thing we look for in a franchisor, which should serve as a testament to the caliber of support the brands in our portfolio provide. That being said, we rely heavily on our franchisors for training, not just for us as franchisees but also for our managers and crew members. We also have regular meetings, frequently read professional development books, and focus on the character development plans for each individual on our team.

How do you deal with problem employees? We try to keep in mind that sometimes the problem isn't the crew member. Maybe it's just that they're not being challenged. It's important to discern if the problem is the crew member or something on our end. If it is the crew member, we remove any weeds in the group as fast as possible.

Fastest way into my doghouse: Lying and being disrespectful.

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COVID-19

How did Covid-19 affect your business? Just like everyone else, we had to close our doors and implement restrictive measures. But we approached Covid like we would approach any other busines issue. Because whether it's Covid or a shipment delay, there will always be issues in business. We remain solution-oriented in all we do.

How have you responded? Of course we implemented restrictive measures and offered things like curbside pickup. But what was most important to me was my people. At the beginning of the pandemic there was a lot of fear, so I was just honest with my team and tried to educate the people around me by presenting them with actual numbers so they remained informed. I never made a forceful decision or pressured others into making one. It was about being open and transparent, keeping them informed, and creating a comfortable atmosphere—for both our teams and our customers.

What changes do you think will be permanent? We don't think there will be any permanent changes on our end.

BOTTOM LINE

Annual revenue: N/A.

2022 goals: Making Hand & Stone in El Paso one of the number-one stores in the nation.

Growth meter: How do you measure your growth? By net worth. I try to double my salary every year.

Vision meter: Where do you want to be in 5 years? 10 years? When we set out to build our franchise empire, we had the 10-year goal of becoming billionaires. We started that goal in 2016 and we're halfway there.

Do you have brands in different segments? Why/why not? We do. We have two food concepts with Tropical Smoothie Cafe and Marco's Pizza, and we just signed a franchise agreement with Hand & Stone to develop three spas in El Paso. For us, signing with Hand & Stone wasn't about diversifying out of food. When we met with the team at the Multi-Unit Franchising Conference last year, we were immediately blown away by the concept and thought it would do exceptionally well in our area. The main thing for us is that we have always striven to better our community by investing in brands we believe will enrich the lives of those who live there. When it came to Hand & Stone, we loved that the brand offered affordable massage and facial services that would make wellness accessible for everyone, and that it fostered a culture of connection and holistic well-being. We're so excited to bring the brand to El Paso for the first time and provide a place for people with a tranquil retreat to relax and unwind.

How is the economy in your region affecting you, your employees, your customers? It's not.

Are you experiencing economic growth in your market? El Paso is experiencing economic growth, but so is the entire Southwest region. We're excited to be part of all that's to come.

How do changes in the economy affect the way you do business? The state of the economy doesn't necessarily affect the way we do business. Our focus has always been on people and in keeping that people-first mentality, and we've developed relationships in our local community that keep our businesses going and thriving.

How do you forecast for your business? I try to maintain correct percentages around profit, labor, etc., but we're more focused on how to better serve the community and have a greater impact.

What are the best sources for capital expansion? If you can provide a strong business plan and show return on investment, securing capital can be a fairly easy process.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We do have experience. I always recommend that if it's your first business, go to the SBA and get a loan. Banks both love it and hate it, but the SBA will force you to cross your all your t's and dot all your i's.

What are you doing to take care of your employees? We offer things like paid vacation, but we don't have a money-based culture. We've tried monetary incentives in the past, but money is the worst way to get your people to like you. For us, it's about creating opportunities and showing we care through being consistent.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We keep an eye on our competitors and make sure we're offering our crew members competitive wages. We've raised our minimum wage.

What laws and regulations are affecting your business and how are you dealing with them? There aren't any specific laws or regulations affecting our business. We just follow statewide guidelines that our governor puts out.

How do you reward/recognize top-performing employees? Through nonmonetary incentives. We've worked hard to foster a culture that prioritizes each individual person.

What kind of exit strategy do you have in place? I don't have one yet. We're in the middle of our growth, putting aside money to invest in further expanding our portfolio within the next couple of years. I don't think I'll ever retire. ■


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WISCONSIN WINNER

Qdoba's largest franchisee adds Dave's Hot Chicken

Written by Kerry Pipes

RON STOKES

Title: President, COO
Company: Roaring Fork Restaurant Group and MR Chicken
No. of units: 58 Qdoba, 1 Dave's Hot Chicken
Age: 63
Family: Spouse, 2 children, 5 grandchildren
Years in franchising: 30
Years in current position: 17

You might say Ron Stokes is hot for chicken... Dave's Hot Chicken, that is. Stokes is the president and COO of Milwaukee-based Roaring Fork Restaurant Group, the largest Qdoba franchisee in the U.S. His company operates 58 of the fast-casual Mexican restaurants in Wisconsin, Illinois, and Iowa. This past December, Roaring Fork diversified its holdings by signing a 14-unit development deal with Dave's Hot Chicken. His first location opened in February in the Milwaukee area, and he's on track to open the other 13 locations across Southeast Wisconsin over the next 6 years.

"The Nashville hot chicken category is huge right now, and Dave's is on the forefront of it," says the 63-year-old. "We are excited to bring the brand to Wisconsin."

Stokes has been in franchising for three decades and with Roaring Fork since 2005. He's played a key role in opening nearly 50 of the company's Qdoba locations. "We were first to market here in Wisconsin, and that gave us a significant foothold," he says.

He's gained corporate restaurant management and executive experience along the way. At Pizza Hut, he was a leader in their training department and on the forefront of helping the brand develop their emerging markets. He also served as president and partner at R.T.M., a large Arby's franchisee in the Northwest.

Before joining Roaring Fork, Stokes was the owner and founder of Personalized Management, a recruiting company specializing in retail and restaurant management and helping companies across the country develop strong leadership teams.

"We are at our best when we surround ourselves with talented bright people who share our values," he says. "The most interesting people to me are those who are growing, learning, and living life to the fullest."

Stokes is focused on the development of his Dave's Hot Chicken locations right now and likes to keep tabs on his new business venture. "Currently I am in our first Dave's Hot Chicken six days a week," he says.

At an age where many are cashing in and retiring, Stokes, who also serves as the chairman of the Qdoba Franchisee Association, shows no signs of slowing down and says he will remain focused on growing Dave's Hot Chicken and Qdoba locations.

He says the key to his success can be found in the simple philosophy, "Grow your team, grow your business, and invest heavily in both."

PERSONAL

First job: Working the local paper route.

Formative influences/events: At a young age, my parents told me that I could do anything I wanted to do. I believed them, and it's been a driving force for me ever since.

Key accomplishments: There are many, but growing the Qdoba brand in Wisconsin and becoming the largest franchisee in the system is definitely up there.

Biggest current challenge: Staffing, hiring, and retention are currently the biggest challenges we are facing.

Next big goal: Growing the Dave's Hot Chicken brand throughout Wisconsin.

First turning point in your career: My first job beyond store-level

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*Source: 2022 Bad Ass Coffee of Hawaii Franchise Disclosure Document (FDD)

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Brian Damman, Franchise Development Manager

was in the training department with Pizza Hut. This helped me learned how to speak in public.

Best business decision: Most recently, investing in the Dave's Hot Chicken brand. I'm very excited to grow this brand throughout Wisconsin.

Hardest lesson learned: I owned a recruiting company and we grew too fast too soon. It was a valuable lesson in how to properly scale a business.

Work week: Whatever it takes.

Exercise/workout: My current routine is 10,000 steps a day along with lifting weights three to four times a week.

Best advice you ever got: Live life on a what to, choose to, like to, and love to basis.

What's your passion in business? I love helping people win and succeed.

How do you balance life and work? Prioritization and planning. Calendar management is key to maintaining balance.

Guilty pleasure: Pizza.

Favorite book: *As a Man Thinketh* by James Allen.

Favorite movie: "Groundhog Day."

What do most people not know about you? I love sentimental movies.

Pet peeve: Walking by mistakes.

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

Last vacation: Las Vegas.

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

MANAGEMENT

Business philosophy: Grow your team and grow your business. Invest heavily in both so that you can set them up for success.

Management method or style: I prefer a participative approach. Hire top talent and let them go do what they do best.

Greatest challenge: Staffing for success.

How do others describe you? I would describe myself as driven and focused.

One thing I'm looking to do better: I'm always trying to become a better listener.

How I give my team room to innovate and experiment: Asking them questions and giving people the room to make mistakes.

How close are you to operations? Close enough to know where my strengths and vulnerabilities are. Currently I am at our first Dave's Hot Chicken six days a week.

What are the two most important things you rely on from your franchisor? Supply chain management and technology enhancements.

What I need from vendors: Dependability.

Have you changed your marketing strategy in response to the economy? How? Yes, we have become more focused on digital marketing.

How is social media affecting your business? It is everything. Right now, we're growing our first Dave's Hot Chicken location 100% through social media.

How do you hire and fire? Hire slow and fire when not a culture fit. People fire themselves.

How do you train and retain? It is always an ongoing process with us.

How do you deal with problem employees? Coach up or out.

Fastest way into my doghouse: Being dishonest with me.

COVID-19

How did Covid-19 affect your business? Delivery and online ordering have become much more of a focus. There is far less in-store dining.

How have you responded? Fortunately, we are with franchisors that made the right moves early to adapt to the changing environment.

What changes do you think will be permanent? Delivery is here to stay in a much bigger way than ever before.

BOTTOM LINE

Annual revenue: Private.

2022 goals: Continue to grow our two brands, Qdoba and Dave's Hot Chicken.

Growth meter: How do you measure your growth? Sales, profit, and people.

What are you doing to take care of your employees? Yearlong incentive programs, ongoing recognition programs, great bonuses, and driving hard to create work/life balance.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We have had to be more aggressive with pricing than we have been in the past. ■

$1.96MM AVERAGE AUV*

(all stores... not just the top quartile)

*average of all stores open full year 2019

FRANCHISEE & FRANCHISOR

Wearing multiple hats as VP of restaurant ops

Written by Kerry Pipes

RUSSELL BERNER

Title: VP of Restaurant Operations, Partner
Company: JDK Management
No. of units: 49 Perkins Restaurant & Bakery, 31 Quaker Steak & Lube
Family: Wife and 3 children
Years in franchising: 33
Years in current position: 24

Russell Berner is vice president of restaurant operations and a partner with 80-unit franchisee JDK Management. He's also a chef who graduated from The Culinary Institute of America. He says that connection to food and discipline helped prepare him for the corporate climb.

JDK Management is the largest Perkins Restaurant & Bakery franchisee in the system, with 49 locations in states that include Pennsylvania, Ohio, and New Jersey. The company also operates 31 Quaker Steak & Lube locations—and purchased the brand last year to become the franchisor.

In addition, JDK Management, through its JDK Hotels division, operates Microtel Inn & Suites by Wyndham, Holiday Inn Express, Hampton Inn, and Fairfield Inn & Suites in Pennsylvania and New Jersey. JDK also has a healthcare division with interests in the senior living industry.

Berner says early in his career he "had an epiphany when I realized that I had to move out of the kitchen to succeed in a corporate environment." He became a GM and says it was a significant turning point in his career that gave him the opportunity to learn the service aspect of the business.

Later, he says, he had the opportunity to get off the cutthroat corporate ladder and go to work for a family business, JDK. "I left the big city for a more wholesome, rural community life," he says. "I was able to use what I had learned to enhance our role in the franchise space and help JDK grow to be the largest Perkins franchisee."

In his 24 years with JDK Management, Berner has been part of its steady growth. "We acquired 15 Perkins locations in 2000, doubling our size," he says. "In 2019-2021 we did that again. We learned how to nurture relationships, bid on opportunities when needed, and navigate the courts. Finding deals with upside like that, you realize the importance of taking great care of your debt and capital."

Berner says hard work and focus pay off. "At JDK, we always strive to be the best, not the biggest. We were fortunate enough to become both with our brands along the way."

PERSONAL

First job: Dishwasher in high school with a private restaurant in Plantation, Florida.

Formative influences/events: Before working at JDK, I climbed the ranks in the specialty restaurant division of Ruby Tuesday. I began with them when there were 27 restaurants. They grew significantly during my time with them. When I departed, they were pushing 700 restaurants. I was there for more than 13 years. This experience and the people there mentored and influenced me within the corporate environment. Influences: Too many mentors to mention. Also, navigating the troubled waters that brands go through, how to survive, succeed, and thrive in those situations.

Key accomplishments: 1) Expanding the JDK portfolio to a $150 million business. When I came to JDK, they had only a handful of restaurants, now they have 80. 2) Being a chef by trade. I graduated from The Culinary Institute of America. This connection to food and discipline prepared me well for climbing the corporate ladder. 3) L&N Seafood Grill had two restaurants when I joined. I helped our team grow to 42.

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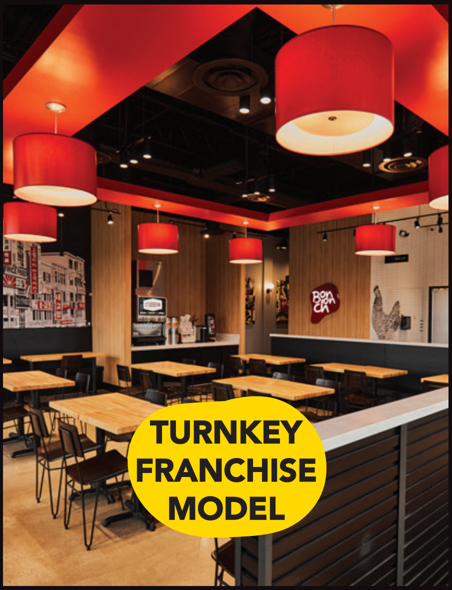

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*Figure reflects the average annual Gross Revenues for 100 franchised Bonchon restaurants in the system that were open during the measured period from January 1, 2021 through December 31, 2021, as published in Item 19 of our March 4, 2022 (amended March 9, 2022) Franchise Disclosure Document. Of these 100 franchised Bonchon restaurants, 42 (42%) had higher Gross Revenues during the reported period. The financial performance representation contained in Item 19 of our March 4, 2022 (amended March 9, 2022) Franchise Disclosure Document also includes the average and median annual Gross Revenues information for these 100 franchised Bonchon Restaurants in operation in the United States during the referenced period. A new franchisee's results may differ from the represented performance. There is no assurance that you will do as well, and you must accept that risk. **As of 12/25/21. ***5 year growth rate in number of units for the year ended December 31, 2021.

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Biggest current challenge: People. It always has been and must be the highest priority. If you're not focused on being more efficient and investing in retention, recognition, and recruitment, then you're probably not doing the right thing. It's a people business. Every issue we face is on steroids now. We're meeting them head-on, protecting continuity while reimagining the future of our brands for development. Brands that succeed will be more efficient, nimble, and relevant to consumers/guests. Our product is more than the food and service in a digital age.

Next big goal: Efficiency for our internal and external guests using technology and brand design/reengineering. Looking at great leaders to make it happen (internally or externally).

First turning point in your career: Moving out of the kitchen to succeed in a corporate environment (doing the work and getting the key results but not necessarily gaining the rewards). Becoming a GM, learning the service aspect of business. When computers first came along, I jumped on the opportunity quickly, which really helped me to grow as well. I then had the front and back of house and administrative skills in my back pocket.

Best business decision: Getting off the corporate ladder and transitioning into a family business environment with JDK. In between L&N and JDK, I worked for Carlson Worldwide in specialty restaurant development and had the opportunity to create something brand new again. I was able to see other approaches to the industry from these diverse companies, enabling me to ascend to my present role at JDK.

Hardest lessons learned: It's not hard if you learn from everything. You must always be consciously learning. I was able to learn from others' behaviors and watched their mistakes. There is no replacement for effort and care. Work smart *and* hard. This is a simple business, but it's not easy. Control your ego. It can work for or against you. I believe you benefit from swallowing your pride when needed; helping people should always be #1. We constantly look to help our people grow and achieve their best (from within when possible). Succession planning is a constant to progress for a healthy organization. We also teach to always have Plan B.

Right now, we are building the next generation for JDK. To grow individually and grow your business, you must always be training your replacement. I'm looking forward to being succeeded someday and see the company remain in good hands. A legacy isn't what just you've done, but what you leave for others to be more successful. Also, never be overleveraged and always lead with integrity. I have a statue that I keep on my desk to remind me of this. It's a statue from a bank that lost a lot of money in a transaction with another restaurant development company that we ultimately acquired. At JDK, we have succeeded by absorbing entities and through acquisitions in concert with internal and organic development. That's been our balanced growth model.

Work week: There are never enough hours in any day or week. So do the most you can and make sure to build your team to get results. I also learned that at my age, I must make it a priority to depressurize, which allows me to have clarity and clear thinking throughout the week, no matter how many hours or facing down immense challenges. I have a healthy mechanism for doing so and have made it a daily habit, which helps me look at the bigger picture and really put things into perspective.

What's your passion in business? The success and satisfaction of the people I work with means as much as profitability. It's essential to balance that to have a possibility of being successful in my mind. Like most, my stake in caring for my family extends to JDK's 3,000-plus employees.

How do you balance life and work? Water seems to be my element. Work/life balance has changed for so many folks in the last 2 years. If my window on the world incudes water, it soothes my soul.

Guilty pleasure: Baseball is my escape from reality.

What do most people do not know about you? I'm pretty much an open book and most people know me well. I think it serves all well in this case.

Pet peeve: Excuses over solutions.

What did you want to be when you grew up? Growing up in New York City, I always wanted to be a center fielder for the New York Yankees. When I realized that wouldn't work, the restaurant business grabbed me and wouldn't let go. I just leaned in hard and deployed my work ethic.

Last vacation: I went to Australia with my wife in March 2020 to celebrate our 40th wedding anniversary and ended up not being able to fly out for some time. We were trapped at the beginning of Covid, and a 3-week sabbatical became 6 days in the air and a 3-day weekend. Instead of going to the Outback, we had to just get back. we did end up making it out and look forward to going to the Outback soon.

Person I'd most like to have lunch with: Thurman Munson or Derek Jeter, former Yankee captains. These guys were leaders, had skill, passion, and work ethic grit.

MANAGEMENT

Business philosophy: Be prepared and make good deals.

Management method or style: Cautiously progressive, always a balanced approach.

Greatest challenge: The industry challenge has been the same for decades—it's people. Doing well for them and at the same time delivering results.

How do others describe you? They know I truly care and always try to do the right thing.

One thing I'm looking to do better: Everything. I'm definitely tough on myself and am never completely satisfied. We take joy in our success, but at the same time we're always looking to do better. You could say it's *kaizen* (Japanese for incremental, continuous improvement).

How I give my team room to innovate and experiment: I try to help them realize how to tap into finding their own motivation. In our business environment, we try to make sure we all understand the parameters so we can navigate and grow within that playing field.

How close are you to operations? Not close enough. However, I really enjoy it and realize that's where the rubber meets the road. As you become removed as an executive, you're pulled away from that. But it's definitely most important to have people close to you who lead and remain heavily involved in operations.

What are the two most important things you rely on from your franchisor? JDK is both franchisor and franchisee, so 1) consistency with infrastructure, and 2) a forward-looking business plan.

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What I need from vendors: Now at this time, really anything you can get. But what we really depend on from vendors are value, reliability, and quality.

Have you changed your marketing strategy in response to the economy? How? It's truly never-ending adjustments since the economy is continually fluctuating. I'd say the answer is to be nimble and apply your resources creatively.

How is social media affecting your business? Social media affects business just as it affects the global environment and society as a whole. We experience everything that social media offers—good, bad, and indifferent, and you always have to be aware of what's coming next.

How do you hire and fire? Have courtesy and respect. Be fair and consistent.

How do you train and retain? We give 100% to people in both those disciplines. Give people everything you can; give them your time and the tools to be successful.

How do you deal with problem employees? As professionally as possible in all circumstances. Look for improvement opportunities.

Fastest way into my doghouse: Excuses and lack of effort.

COVID-19

How did Covid-19 affect your business? In every way possible: health, safety, people, profit, and product were all affected.

How have you responded? In every way possible. We faced each challenge as calmly and firmly as we could to try to maintain, compromising only where no other option existed.

What changes do you think will be permanent? I don't believe that anything is truly permanent. But in the foreseeable future, the restaurant service model does have to adapt. Full-service restaurant brands also need to be more flexible to how the consumer expects the products to be delivered. People (internal and external guests) expect a new aspect of convenience, and the industry has to adjust accordingly.

BOTTOM LINE

Annual revenue: $150 million in hospitality revenue this year (restaurants and hotels).

2022 goals: Continuity, re-creation, stepping forward into the future. Continue to manage business strategically and keep disciplines in place. Staffing and training for 2022. Succession plan and enhance our leadership team.

Growth meter: How do you measure your growth? All metrics. We look at the top line and bottom line with equal respect, and everything in between. All people, employees, guests, and facilities are considered.

Vision meter: Where do you want to be in 5 years? 10 years? We also want to explore new concepts. Since JDK is family-owned, we have a long-term model and horizons for our brands.

Do you have brands in different segments? Why/why not? We have hotels as well as casual and family-style restaurants. Diversity has value, and we have a solid platform and capacity to expand in additional segments.

How is the economy in your regions affecting you, your employees, your customers? We operate in many states, which affects us on a geographic, constant, level. Inflation is a key word today, but it won't be forever. It will be something else tomorrow. So, we prioritize maintaining prices to provide the best possible value, as well as increasing wages and benefits for employees. The main things that affect both employees and customers must be balanced.

Are you experiencing economic growth in your markets? Surprisingly, yes. Activity has certainly been robust, and liquidity seems to have accelerated the economic engine. It's apparent that the strong survive and growth is beginning again.

How do changes in the economy affect the way you do business? Being in business, the economy affects us in every way. You must be flexible, have foresight, and be adaptable.

How do you forecast for your business? We have a disciplined approach. We follow the model and remain aware.

What are the best sources for capital expansion? Our model has always been to reinvest in our businesses for long-term health. Most of our capital comes from our own results. Traditionally, we're very conservative. We remain solvent by not being overleveraged. We limit borrowing and carefully measure capital-intensive expansion (we take it incrementally). However, ironically, with what we've done in the past 2 years through two major acquisitions, we've grown by around 100%.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We have experience with all of the above. Our more conservative approach is with regional banks. They tend to be more stable, which matches our business model.

What are you doing to take care of your employees? Everything that a business can possibly do within a reasonable structure. We have increased wages, benefits, work/life balance, and flexibility for our employees. We're in the midst of applying this to all operating levels.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We have a full spectrum of employee benefits, so we must have the accountability and responsibility to have a balanced approach. We do whatever we can to remain steady in that balance.

What laws and regulations are affecting your business and how are you dealing with them? Given our current environment and health regulations, we do everything we can to remain compliant. Covid guidelines have been a challenge, but we make sure that we're following them as safely as possible. We're not in a super-highly regulated industry, so we're able to navigate those invasive policies pretty well and make sure to deal with them very consciously.

How do you reward/recognize top-performing employees? We want to ensure that we remain stable when it comes to individual recognition. We try to provide growth as well as a supportive community environment. We like to make sure people have what they need to be motivated and feel successful.

What kind of exit strategy do you have in place? Those evolve, but ultimately, they're all based on creating value and building equity. As long as we're doing that, we can adjust our strategies as needed. We're not intent on exiting, but we do have a 5- and 10-year plan as we continue to build on the equity in and of our brands. Everything has a price if it has value. ■

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

NEXT IN LINE

Ryan Bridgeman is now leading the family business

Written by Kerry Pipes

RYAN BRIDGEMAN

Title: President
Company: Manna Inc.
No. of units: 150 Wendy's, 74 Fazoli's, 1 Jimmy John's
Age: 39
Family: Wife Leea, daughters Emerson 8, Hollis 6
Years in franchising: 13
Years in current position: 5

Ryan Bridgeman's dad was someone he could look up to—literally. That's because when he was a kid he watched his dad, Ulysses "Junior" Bridgeman, playing for the NBA's Milwaukee Bucks and Los Angeles Clippers. When his dad's basketball career ended, the younger Bridgeman watched him build a company owning and operating multiple Wendy's and Chili's restaurants.

When he was old enough, Bridgeman began learning the ropes of the restaurant business and working alongside his dad. He soaked up all he could about operating a Wendy's by working in one—"and cleaning my father's company office," he recalls.

Bridgeman was a quick study. It turned out he had a knack for the financial side of the business, even doing an internship in Taco Bell's finance department.

His big opportunity came in 2017 when his father became a Coca-Cola bottling and distribution partner by acquiring Heartland Coca-Cola Bottling Company. The younger Bridgeman jumped at the chance to lead the family's franchise company.

Today, he is president of Manna, Inc., a Louisville-based company that operates more than 200 franchise restaurants throughout the country. The company's portfolio consists of 150 Wendy's, 74 Fazoli's, and a Jimmy John's. He is also managing member and president of RD Services, a company that provides customer and employee service solutions to restaurant and concession businesses, and of Bridgeman Hospitality, which specializes in contract food service through its partnership with Aramark.

Bridgeman's business philosophy is to put customers and team members first. "It's an inverted pyramid style," he says. "Customers and team members are at the top and I am at the bottom supporting everyone to make sure we are all aligned and working toward the same goal."

He says he is currently focused on steering the company through the effects of the pandemic and labor shortage and hopes there will be more growth opportunities on the other side.

PERSONAL

First job: Wendy's crew member. Cleaning my father's company office.

Formative influences/events: My parents were the biggest influence on me, especially working alongside my father in business.

Biggest current challenge: The current labor shortage being experienced throughout the U.S.

Next big goal: Continue to successfully navigate the company through the pandemic and current labor shortage.

First turning point in your career: Becoming a Taco Bell franchisee in 2011.

Best business decision: Successfully restructured the company's restaurant portfolio from 500+ locations to 200+.

Work week: I traditionally work Monday through Friday, but as the leader of the company, I make myself available when needs arise. I also travel extensively so I can present in person in our various markets.

Exercise/workout: I work out at least three days per week.

Best advice you ever got: "Do not have the nightmare before you go to sleep."

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What's your passion in business? Setting up members of my team and company for growth and success.

How do you balance life and work? I prioritize my family time and carve out time for friends and hobbies.

Guilty pleasure: Collecting rare bourbons.

Favorite book: *The Bible.*

Favorite movie: "The Matrix."

Pet peeve: I do not like to waste time, and I don't like doing things in an inefficient way.

What did you want to be when you grew up? As a kid, I wanted to be a professional athlete.

Last vacation: Family vacation to Cape Cod.

MANAGEMENT

Business philosophy: My business philosophy is based on the inverted pyramid: Our customers and team members are the most important group, whereas I am at the bottom supporting everyone to make sure we are all aligned and working toward the same goal.

Management method or style: My management style is team-centered. I lead by collaborating with my executive team and empowering them to always present ideas. I balance this dynamic by being decisive when necessary.

Greatest challenge: Retaining restaurant-level managers and team members in a highly competitive labor market.

How do others describe you? Reserved, dedicated, team player, driven.

One thing I'm looking to do better: I'm always looking for ways to improve the efficiency of our teams at all levels.

How I give my team room to innovate and experiment: Everyone is given the support and autonomy to explore ways to improve the business. This supports our mantra that we all win together.

How close are you to operations? I grew up in the business through operations, so I am very familiar with the day-to-day challenges in the restaurants. Additionally, I spend time in the restaurants in all of our markets to stay connected to operations.

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

What I need from vendors: Seamless execution in support of the business.

Fastest way into my doghouse: If someone forgets the principles of the inverted pyramid and puts themselves ahead of the customer.

COVID-19

How did Covid-19 affect your business? The biggest impact on our business was how customers interacted with the restaurant. The shift from dining in to drive-thrus, and the exponential growth of off-premise through digital and third-party ordering platforms proved that we could still meet the needs of our guests.

How have you responded? With the support of our franchisors, we have successfully managed the changes to meet our customers' needs.

What changes do you think will be permanent? I believe Covid-19 has accelerated the acceptance of digital ordering for several businesses that possibly would have had a slower adoption rate. This digital channel within the restaurant industry is here to stay, and operators should embrace the possibilities of reaching their guests in new ways.

BOTTOM LINE

2022 goals: Continue to successfully navigate the company through the pandemic and current labor shortage.

Growth meter: How do you measure your growth? In two ways: 1) growth through development/acquisition of new restaurants, and 2) seeing my team grow through promotion and leadership.

Do you have brands in different segments? Why/why not? We operate brands in different segments of the restaurant industry. This is helpful because we can meet the needs of customers across their different dining occasions.

Are you experiencing economic growth in your markets? Yes. In a few of our markets we are seeing economic growth.

How do changes in the economy affect the way you do business? As we are looking at new development opportunities, we analyze those options based on the current and future market conditions of labor and potential for digital ordering.

What are the best sources for capital expansion? We have great relationships with several financial institutions that support any capital expansion needs.

What are you doing to take care of your employees? We have always put our employees first, but in this environment we have focused on their health, safety, and doing what is necessary to support and retain them in this economy.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? As rising employee costs are becoming the new standard, we made an effort to ensure that we are doing the right things to support and retain our employees.

How do you reward/recognize top-performing employees? Recognition is a cornerstone of our company. Whether it is as simple as a thank-you to an employee or a large reward, we try our best to celebrate our employees as much as possible. ■

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*This is historical representation of what some of our franchisees have earned as described further in Item 19 of the FDD. Same-store sales growth compares net sales (gross sales minus discounts and refunds) in calendar year 2020 to net sales in calendar year 2021. This information is based upon 217 locations that were open during the entire 2021 calendar year and provided complete information. Of these 217 locations, 112 (or 51.61%) of them had Same-Store Net Sales Growth Over Prior Year that met or exceeded 24.32%. Your results may differ. There is no assurance that you will sell or earn as much. See Item 19 of the FDD for more information.

**This is historical representation of what some of our franchisees have earned as described further in Item 19 of the FDD. This information is based upon the top 43 of 172 Drive-Thru Kiosks that were open during the entire 2021 calendar year and provided complete information. Of these 31 Drive-Thru Kiosks that compile the top quartile: (1) 17 of them (or 40%) had an AUV that met or exceeded $1,179,980, (2) 19 of them (or 44%) had a Net Profit Margin and EBITDA that met or exceeded the average. Your results may differ. There is no assurance that you will sell or earn as much. See Item 19 of the FDD for more information.

BIG DEALER

3 brands, 500+ locations, and more to come

Written by Kerry Pipes

AMIN DHANANI

Title: President
Company: Z&H Foods, HZ Coffee Group, HZ LM Casual Foods
No. of units: 375 Popeyes, 105 Dunkin', 42 la Madeleine French Bakery & Cafe
Age: 44
Family: Wife and two kids, one daughter, one son
Years in franchising: 25
Years in current position: 15

Amin Dhanani has been on the grow since we last spoke with the Houston-based multi-brand operator back in 2017. Not only has he added more than 100 Popeyes locations to his portfolio while nearly doubling his la Madeleine stores, he's also added more than 100 Dunkin' locations. That puts him well over 500 locations in an $800 million operation.

That's a pretty amazing feat from any perspective, even more so considering the impact of Covid on business during the past couple of years. Staffing was a challenge and now he says commodity price increases are putting a drag on his financial sheets. But he also experienced the same silver lining many other food franchisees did, as takeout, drive-thru, and delivery business soared during the pandemic, ringing all kinds of revenue bells for his operation. "New QSR customers are here to stay, and so are third-party delivery and mobile app conveniences," says the 44-year-old.

Dhanani's achievements in franchising are well recognized. He turned heads a few years ago by becoming the largest Popeyes franchisee in just 5 years. He's a proven leader in all of his brands, turning in consistently high numbers and spreading his risk through diversification.

"I'm a firm believer in the idea that it's good to diversify your portfolio when it comes to brands and markets," he says. "I have Popeyes restaurants in eight states ranging from Arizona to Texas and Missouri, la Madeleine stores in Texas, Louisiana, Oklahoma, and Atlanta, and Dunkin' stores in Texas and Florida."

So what's next for a mega-franchisee with three brands and more than 500 locations? Adding another brand, of course. "We will be opening restaurants with Arby's very soon," he says.

PERSONAL

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

Formative influences/events: I come from a family of business owners. As the 11th child, I knew that I also wanted to leave my mark on the world as an entrepreneur the way my older brothers and father did. I had the work ethic and all the other tools needed financially, so I challenged myself to see how far I could go. Tom Brady has also been an important figure in my life. His love and passion for what he does, along with his competitiveness and drive to constantly be better has helped me and my business succeed. At this point, I don't do what I do for the money, but because it's what I love.

Key accomplishments: Becoming the largest franchisee in the Popeyes system within the span of 5 years and branching out from my family to achieve all of this all by myself.

Biggest current challenge: Staffing my stores.

Next big goal: I'd like to get to 1,000 stores in the next 5 years and/or own my own brand.

First turning point in your career: Without a doubt, buying my first Popeyes in my hometown of Houston.

Best business decision: Treating employees and people well, while fostering a competitive and friendly atmosphere.

Hardest lesson learned: I'd say managing my work/life balance. There's so much I want to do throughout the day—working, spending time with my family, exercising, praying, and having personal time for myself. It's something I've continued to work on. As a

TO LEARN MORE, GO TO **DONATOSPIZZAFRANCHISE.COM** result, I am in a much better place because I found my routine and set up the right structure in my life.

Work week: I probably work about 55 to 60 hours. I try to keep my weekends free to be with my family.

Exercise/workout: I generally try to work out three times a week. I usually like to get some cardio in and go for a run or play basketball. I'm a big sports fan, especially when it comes to basketball and football!

Best advice you ever got: To this day, I carry around what my father always told me: "Work from your heart and passion, and success will follow. But always stay humble."

What's your passion in business? I love opening new stores from the ground up.

How do you balance life and work? When I'm at work, I try to make that my only focus. But when I'm at home, I turn that part of me off to have quality time with my wife and kids. We've also made it a point to try to vacation about four to five times a year to get away and disconnect.

Guilty pleasure: I love to eat delicious food! I enjoy everything from Indian to Chinese food, burgers, and Popeyes. I allow myself to eat some of these foods only in moderation though, because I need to stay in shape.

Favorite book: *To Kill a Mockingbird*, by Harper Lee.

Favorite movie: "Rocky," starring Sylvester Stallone.

What do most people not know about you? That I'm actually a funny guy with a great sense of humor!

Pet peeve: Lying and laziness.

What did you want to be when you grew up? It was always my dreams to be the CEO of a big corporation.

Last vacation: My family and I went to Cabo last December.

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

MANAGEMENT

Business philosophy: Work harder and smarter, but always treat your people with the respect they deserve.

Management method or style: I'm very hands-on when it comes to running my businesses. I know the majority of my managers by name, and they know that they can always contact me at any time.

Greatest challenge: Working with different kinds of people and personality types. For me to succeed, I need my teams to get work done and be successful.

How do others describe you? They'd probably say I'm strict and hard-working, yet disciplined.

One thing I'm looking to do better: To delegate more work to the higher-ups that I trust in my organization.

How I give my team room to innovate and experiment: I give my teams the freedom to explore and be creative. They know that I still expect to see positive results. As long as their methods are working and they're holding people accountable, I basically let them experiment as they please.

How close are you to operations? As I mentioned, I like to take a hands-on approach when it comes to my businesses. I speak to my VPs and directors daily and keep a close eye on operations.

What are the two most important things you rely on from your franchisor? Marketing and operations coaching with managers at the stores.

What I need from vendors: Consistency in terms of pricing, delivery times, and having product available.

Have you changed your marketing strategy in response to the economy? How? Definitely. There have been more third-party delivery aggregators, such as DoorDash and Uber Eats. Mobile apps have also become really important today for customers to help streamline their pickup and drive-thru orders.

How is social media affecting your business? Social media has really helped drive delivery orders and app downloads. That said, you also need to be much more careful with what you post nowadays and make sure that it's not wrong in the customer's eyes or offensive.

How do you hire and fire? I hire based on the qualifications and level of experience I'm looking for. In terms of firing, I tell my employees that the results are always going to be on paper. If the right numbers aren't on paper, then something isn't being done right.

How do you train and retain? We train them fully on what they need to know about the brands operationally and admin-wise. We retain by offering competitive salaries and bonus structures. We have a long-term plan in place, so we take care of the employees who deliver because we want them to stay with us.

How do you deal with problem employees? I typically see if there are any reasons from their personal lives that could be affecting their work and see how I can help them work through these issues best.

Fastest way into my doghouse: Through my pet peeves: lying and being lazy!

COVID-19

How did Covid-19 affect your business? Covid actually had a great impact on business in 2020 because customers, especially at Popeyes, were ordering large meals to take home for dinner with their families. Delivery driven by social media helped drive customers to all QSRs, and we've managed to retain a lot of them. The more negative aspect of the pandemic has been staffing, which has been really challenging the past year. Commodity and price increases between last year and this year have also been an industry-wide concern.

How have you responded? In terms of staffing, we've increased pay rates to retain and hire people. With commodities, we've had to increase some retail pricing and get smarter and tougher on the controllable costs with food.

What changes do you think will be permanent? I think the newer customers to QSR are definitely here to stay, along with the boost in popularity with third-party delivery and mobile app conveniences. I'm not sure if drive-thru will continue to be as prevalent in the long term, but it's certainly something we'll keep with customers not going into dining rooms as much.

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**Average Annual Gross Receipts of 29 company-owned restaurants that were open for the entire period from December 31, 2020 to September 8, 2021. This information appears in Item 19 of our Franchise Disclosure Document (FDD). Your individual results may differ. There is no assurance that you'll earn as much.*

BOTTOM LINE

Annual revenue: Approximately $800 million.

2022 goals: To retain as many of the crew and managers as possible and get all my restaurants 100% staffed up like they were pre-Covid. I'd also like to get food costs with better commodity pricing and build more restaurants.

Growth meter: How do you measure your growth? By comparing sales and traffic numbers from the previous year. We rely on organic growth to help keep these numbers up.

Vision meter: Where do you want to be in 5 years? 10 years? In 5 years, my kids will be going to college, so hopefully I'll be living in a house in Malibu. In 10 years, I'd like to be doing more social activities and charity work to give back to our communities.

Do you have brands in different segments? Why/why not? I have brands that span chicken to coffee to sandwiches. It's just good to diversify your portfolio.

How is the economy in your regions affecting you, your employees, your customers? Employee-wise, it's getting tougher. In Texas and Florida, businesses are growing so everybody is currently trying to pull more employees. Both states are also attracting a lot of new people from other states, which translates to new customers and more business for our restaurants.

Are you experiencing economic growth in your market? Yes. As I said, business is booming in places like Texas and Florida.

How do changes in the economy affect the way you do business? I find that customers tend to seek out more discount deals when the economy is down.

How do you forecast for your business? I get together with my teams to budget every quarter and at the end of the year.

What are the best sources for capital expansion? Building great relationships with a variety of lenders.

Experience with private equity, local banks, national banks, other institutions? Why/why not? Yes, I've had experience dealing with all of the above and they've all been good in their own ways. Each one has their unique set of pros and cons when it comes to what they're willing to offer, like better rates, more money, and more funds.

What are you doing to take care of your employees? I offer paid vacation time and a 401(k), in addition to various bonuses and annual merits.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We've been committed to raising salaries and offering more benefits.

What laws and regulations are affecting your business and how are you dealing with them? Minimum wage rates going up in various states have been affecting our business and bottom line.

How do you reward/recognize top-performing employees? We like to recognize their accomplishments at our annual meetings in front of their teams. We also offer some of them a paid vacation for two from the company, as well as other benefits.

What kind of exit strategy do you have in place? Hopefully, for my kids to take over and keep the business going, but we'll see! ■

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*The 2021 average gross revenue per franchisee entity was $1,035,066 and 27% of the franchisees met or exceeded the average gross revenue in 2021. This information is based on the data provided by 115 franchisees. 22.4% is the Adjusted EBITDA% of the 49 company-owned locations. 59% of the company-owned locations met or exceeded the Adjusted EBITDA in 2021. Request a copy of our FDD , see Item 19 for more information.

2022 MULTI-BRAND 50

RANK	COMPANY	BRANDS	UNITS
1	FLYNN RESTAURANT GROUP		2,353
		PIZZA HUT	937
		APPLEBEE'S	441
		ARBY'S	368
		TACO BELL	285
		WENDY'S	192
		PANERA BREAD	130
2	SUN HOLDINGS		1,347
		T-MOBILE	228
		ARBY'S	195
		POPEYES	169
		PAPA JOHN'S	159
		BURGER KING	141
		TACO BUENO	139
		APPLEBEE'S	131
		MCALISTER'S DELI	64
		GNC LIVE WELL	55
		IHOP	36
		OTHER BRANDS	30
3	CARROLS GROUP		1,074
		BURGER KING	1,009
		POPEYES	65
4	FQSR (KBP FOODS)		1,024
		KFC	816
		ARBY'S	120
		TACO BELL	88
5	DHANANI GROUP		824
		BURGER KING	503
		POPEYES	284
		LA MADELEINE	37
6	MUY COMPANIES		762
		PIZZA HUT	361
		WENDY'S	320
		TACO BELL	81
7	PILOT TRAVEL CENTERS		624
		SUBWAY	192
		CINNABON	158
		DUNKIN'	84
		WENDY'S	82
		ARBY'S	48
		TACO BELL	20
		DQ TREAT	15
		AUNTIE ANNE'S	11
		MOE'S SOUTHWEST GRILL	6
		PIZZA HUT	6
		IHOP	1
		LITTLE CAESARS	1
8	ARAMARK		550
		CHICK-FIL-A	119
		EINSTEIN BROS. BAGELS	98
		PANDA EXPRESS	44
		OATH PIZZA	39
		WHICH WICH	24
		DUNKIN'	22
		MOE'S SOUTHWEST GRILL	21
		STEAK 'N SHAKE	19
		PAPA JOHN'S	18
		PIZZA HUT	16
		SUBWAY	15
		FRESHII	14
		QDOBA MEXICAN EATS	13
		JAMBA	11
		AUNTIE ANNE'S	5
		MOOYAH	5

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RANK	COMPANY	BRANDS	UNITS
		PANERA BREAD	5
		QUAKER STEAK & LUBE	5
		TACO BELL	5
		TIM HORTONS	5
		BURGERFI	4
		CHILI'S	4
		ERBERT & GERBERT'S SANDWICH SHOP	4
		MCALISTER'S DELI	4
		WAHOO'S FISH TACO	4
		CARIBOU COFFEE	3
		PJ'S COFFEE OF NEW ORLEANS	3
		QUIZNOS	3
		WENDY'S	3
		KFC	2
		PACIUGO GELATO CAFFE	2
		LA MADELEINE	2
		VILLAGE JUICE KITCHEN	2
		DENNY'S	1
		DUNN BROTHERS COFFEE	1
		FIREHOUSE SUBS	1
		JERSEY MIKE'S	1
		SMASHBURGER	1
		EXTREME PITA	1
		WING ZONE	1
9	**LOVE'S TRAVEL STOPS & COUNTRY STORES**		**515**
		SUBWAY	235
		GODFATHER'S PIZZA	133
		CHESTER'S	130
		TACO JOHN'S	7
		DUNKIN'	3
		ARBY'S	2
		BOJANGLES	2
		DQ TREAT	2

RANK	COMPANY	BRANDS	UNITS
		NAF NAF MIDDLE EASTERN GRILL	1
10	**ARMY & AIR FORCE EXCHANGE SERVICES**		**484**
		SUBWAY	123
		BURGER KING	105
		CHARLEYS	81
		POPEYES	58
		ARBY'S	30
		TACO BELL	28
		QDOBA MEXICAN EATS	22
		EINSTEIN BROS. BAGELS	19
		BASKIN-ROBBINS	6
		DUNKIN'	5
		RICE KING	3
		WING ZONE	2
		PIZZA HUT	1
		SLIM CHICKENS	1
11	**GPS HOSPITALITY**		**476**
		BURGER KING	394
		PIZZA HUT	63
		POPEYES	19
12	**SUMMIT RESTAURANT GROUP**		**436**
		IHOP	262
		APPLEBEE'S	113
		WENDY'S	61
13	**SIZZLING PLATTER**		**418**
		LITTLE CAESARS	327
		WINGSTOP	71
		PIZZA HUT	20
14	**JIB MANAGEMENT (YADAV ENTERPRISES)**		**392**
		JACK IN THE BOX	213
		DENNY'S	126
		TGI FRIDAYS	53
15	**WKS RESTAURANT GROUP**		**385**
		WENDY'S	141
		DENNY'S	123
		EL POLLO LOCO	68

RANK	COMPANY	BRANDS	UNITS
		KRISPY KREME DOUGHNUTS	43
		BLAZE PIZZA	10
16	**HARMAN MANAGEMENT**		**353**
		KFC	244
		A&W	109
17	**CHARTER FOODS**		**340**
		TACO BELL	268
		LONG JOHN SILVER'S	42
		KFC	24
		A&W	6
18	**TACALA**		**322**
		TACO BELL	320
		KFC	2
19	**AMPEX BRANDS**		**317**
		KFC	147
		PIZZA HUT	113
		LONG JOHN SILVER'S	32
		TACO BELL	14
		A&W	11
20	**K-MAC ENTERPRISES**		**315**
		TACO BELL	306
		KFC	9
21	**EYM GROUP**		**310**
		PIZZA HUT	163
		DENNY'S	59
		KFC	39
		BURGER KING	27
		PANERA BREAD	19
		TACO BELL	3
21	**PACIFIC BELLS**		**310**
		TACO BELL	241
		BUFFALO WILD WINGS	67
		KFC	2
23	**HART RESTAURANT MGMT (HAZA BELL OF NEBRASKA)**		**301**
		WENDY'S	250
		TACO BELL	51
24	**THE COVELLI FAMILY LTD PARTNERSHIP**		**294**
		PANERA BREAD	282
		DQ GRILL & CHILL	6
		O'CHARLEY'S	5
		DQ TREAT	1
25	**SODEXO**		**290**
		CHICK-FIL-A	74
		EINSTEIN BROS. BAGELS	65
		DUNKIN'	21
		SUBWAY	21
		PIZZA HUT	20
		JAMBA	10
		QDOBA MEXICAN EATS	9
		MOE'S SOUTHWEST GRILL	7
		STEAK 'N SHAKE	7
		TACO BELL	6
		ERBERT & GERBERT'S SANDWICH SHOP	5
		GARBANZO MEDITERRANEAN FRESH	5
		PAPA JOHN'S	5
		FRESHII	4
		AUNTIE ANNE'S	3
		MCALISTER'S DELI	3
		PANERA BREAD	3
		PJ'S COFFEE OF NEW ORLEANS	3
		BAJA FRESH	2
		BASKIN-ROBBINS	2
		BURGER KING	2
		DENNY'S	2
		DQ TREAT	2
		FIREHOUSE SUBS	2
		GODFATHER'S PIZZA	2
		THE HABIT BURGER GRILL	2

RANK	COMPANY	BRANDS	UNITS
		WHICH WICH	2
		BLAZE PIZZA	1
26	**QUALITY RESTAURANT GROUP**		**270**
		PIZZA HUT	176
		ARBY'S	27
		MOE'S SOUTHWEST GRILL	67
27	**TA OPERATING**		**255**
		POPEYES	68
		TACO BELL	38
		BURGER KING	34
		SUBWAY	32
		PIZZA HUT	29
		DUNKIN'	20
		ARBY'S	7
		CHARLEYS PHILLY STEAKS	5
		A&W	3
		BLACK BEAR DINER	3
		FAZOLI'S	3
		WENDY'S	3
		BASKIN-ROBBINS	2
		CARL'S JR.	1
		IHOP	1
		JAMBA	1
		KFC	1
		SUPER 8 BY WYNDHAM	1
		TACOTIME	1
		TIM HORTONS	1
		DQ TREAT	1
28	**PALO ALTO**		**247**
		TACO BELL	202
		PIZZA HUT	32
		KFC	13
29	**HMSHOST**		**245**
		BURGER KING	58
		AUNTIE ANNE'S	47
		SBARRO	24
		ROY ROGERS	15

RANK	COMPANY	BRANDS	UNITS
		CHILI'S	14
		QUIZNOS	14
		CHICK-FIL-A	13
		NATHAN'S FAMOUS	13
		CINNABON	12
		PIZZA HUT	9
		DUNKIN'	4
		FIREHOUSE SUBS	4
		STEAK 'N SHAKE	3
		TCBY	3
		KELLY'S CAJUN GRILL	2
		KFC	2
		PANDA EXPRESS	2
		BAJA FRESH	1
		BLIMPIE	1
		BURGERFI	1
		ON THE BORDER	1
		THE COUNTER	1
		MAGGIANO'S LITTLE ITALY	1
30	**VISION GROWTH PARTNERS/ SUPER C GROUP**		**244**
		SUPERCUTS	137
		COST CUTTERS FAMILY HAIR SALON	107
31	**FUGATE ENTERPRISES**		**239**
		PIZZA HUT	165
		TACO BELL	74
32	**FOURTEEN FOODS**		**237**
		DQ GRILL & CHILL	232
		DQ TREAT	5
33	**MITRA QSR**		**233**
		KFC	195
		TACO BELL	38
34	**DIVERSIFIED RESTAURANT GROUP**		**232**
		TACO BELL	216
		ARBY'S	16
35	**TASTY HUTS/TASTY KING**		**228**

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RANK	COMPANY	BRANDS	UNITS
		PIZZA HUT	161
		BURGER KING	67
36	**DESERT DE ORO FOODS**		**224**
		TACO BELL	135
		PIZZA HUT	89
37	**AMPLER**		**223**
		BURGER KING	120
		LITTLE CAESARS	103
38	**MANNA**		**222**
		WENDY'S	139
		FAZOLI'S	83
39	**BORDER FOODS**		**220**
		TACO BELL	206
		CHURCH'S CHICKEN	14
40	**APPLE HOSPITALITY REIT**		**218**
		HILTON GARDEN INN	41
		HAMPTON INN BY HILTON	39
		COURTYARD BY MARRIOTT	33
		HOMEWOOD SUITES BY HILTON	33
		RESIDENCE INN BY MARRIOTT	29
		HOME2 SUITES BY HILTON	10
		FAIRFIELD BY MARRIOTT	9
		TOWNEPLACE SUITES BY MARRIOTT	9
		SPRINGHILL SUITES BY MARRIOTT	8
		EMBASSY SUITES BY HILTON	2
		HYATT PLACE	2
		MARRIOTT HOTELS	2
		HYATT HOUSE	1
41	**COTTI FOODS**		**202**
		WENDY'S	111
		TACO BELL	86
		PIEOLOGY PIZZERIA	5
42	**CIRCLE K STORES**		**196**
		SUBWAY	158
		BLIMPIE	10
		CHURCH'S CHICKEN	8
		HARDEE'S	6
		DQ TREAT	5
		DQ GRILL & CHILL	4
		NOBLE ROMAN'S	3
		HUDDLE HOUSE	2
42	**QUALITY DINING**		**196**
		BURGER KING	158
		CHILI'S	38
44	**LUIHN VANTEDGE PARTNERS**		**189**
		TACO BELL	157
		KFC	30
		PIZZA HUT	2
45	**PREMIER KINGS**		**184**
		BURGER KING	158
		POPEYES	26
46	**WENDYS OF COLORADO SPRINGS**		**183**
		WENDY'S	181
		GOLDEN CORRAL	2
47	**COMPASS GROUP USA**		**176**
		PAPA JOHN'S	27
		PANDA EXPRESS	24
		DUNKIN'	21
		SUBWAY	15
		PIZZA HUT	12
		MOE'S SOUTHWEST GRILL	10
		JAMBA	8
		PJ'S COFFEE OF NEW ORLEANS	7
		STEAK 'N SHAKE	6
		WENDY'S	5
		CARIBOU COFFEE	4
		CHILI'S	3

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RANK	COMPANY	BRANDS	UNITS
		TACO BELL	3
		TIM HORTONS	3
		AUNTIE ANNE'S	2
		FIREHOUSE SUBS	2
		FREDDY'S FROZEN CUSTARD & STEAKBURGERS	2
		FRESHII	2
		KFC	2
		QDOBA MEXICAN EATS	2
		SBARRO	2
		SLIM CHICKENS	2
		BASKIN-ROBBINS	1
		BLIMPIE	1
		BOJANGLES	1
		BURGER KING	1
		ILLY CAFFE	1
		PANERA BREAD	1
		PITA PIT	1
		PLANET SMOOTHIE	1
		POPEYES	1
		QUIZNOS	1
		WHICH WICH	1
		THE HABIT BURGER GRILL	1
47	**SUNDANCE (TEAM LYDERS)**		**176**
		TACO BELL	173
		ARBY'S	3
49	**HAMRA ENTERPRISES**		**168**
		WENDY'S	92
		PANERA BREAD	67
		NOODLES & COMPANY	8
		HOLIDAY INN	1
50	**CELEBRATION RESTAURANT GROUP/CFL PIZZA/BRAVO FOODS**		**167**
		PIZZA HUT	127
		TACO BELL	40

TOP 25 BRANDS OF THE 2022 MULTI-BRAND 50

RANK	BRANDS	UNITS
1	TACO BELL	3,084
2	BURGER KING	2,777
3	PIZZA HUT	2,502
4	WENDY'S	1,580
5	KFC	1,528
6	ARBY'S	816
7	SUBWAY	791
8	POPEYES	690
9	APPLEBEE'S	685
10	PANERA BREAD	507
11	LITTLE CAESARS	431
12	DUNKIN'	380
13	DENNY'S	311
14	IHOP	300
15	DQ GRILL & CHILL	242
16	PAPA JOHN'S	229
17	T-MOBILE	228
18	JACK IN THE BOX	213
19	CHICK-FIL-A	206
20	EINSTEIN BROS. BAGELS	182
21	CINNABON	170
22	TACO BUENO	139
23	SUPERCUTS	137
24	GODFATHER'S PIZZA	135
25	CHESTER'S	130

Source: FRANdata & Franchise Update Media

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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.

**Source: https://www.iii.org/fact-statistic/facts-statistics-pet-statistics


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PE Partners

Private equity, meet multi-unit franchisees!

Written by **HELEN BOND**

Private equity investors of all stripes continue to like what they see in franchising, more with each passing year. The search for opportunities to invest for a competitive return has accelerated a buying spree for stakes in multi-unit franchisee operations like never before.

"We've been blown away by the amount of opportunity we see in franchising," says Michael Esposito, founder and co-managing partner of Franchise Equity Partners (FEP), which launched in 2021.

Private investors' appetite for franchising's scalable revenue stream has been gaining steam for more than a decade through outside capital investments in single brands. And more recently, in the growing numbers of large multi-brand franchisors such as Neighborly and Authority Brands in home services, and Inspire Brands, Focus Brands, and Yum Brands in restaurants.

Today, as tech-driven multi-unit franchisees emerge amid continued industry consolidation, private equity managers see similar synergies and high-return potential on the owner side of the business—and are striking deals with strong operators hungry to expand.

"I think private equity is taking notice and starting to do this on a smaller scale, with similar principles behind it: the ability to share resources, above-store leadership, digital development, and things of that nature and see that as an opportunity in a high-cash business," says David Blackburn, CEO and COO of Southern Rock Restaurants.

As the largest franchisee of McAlister's Deli, Blackburn has looked to private equity for funding. "Everybody has to eat three times a day. We like those odds, and if you can meet and exceed your guests' expectations, then you have every chance in the world to continue to grow that business."

WHAT PE BRINGS TO THE TABLE

Private investors, who typically come to the table with deeper pockets and a higher risk tolerance than traditional lenders, can provide franchisees with a fast track to growth. Depending on the goals, operators look to use private equity's influx of capital in various ways, including:

- expansion, the opportunity to scale more quickly;
- best practices and strategic transactions, such as an acquisition;
- resources to bolster infrastructure;
- and as an exit strategy.

The influence of outside equity on franchise operations often extends beyond just a cash infusion, adding value through financial expertise, bolstering vendor and supplier relationships, and improving training, support, and marketing through best practices. The move to implement higher-quality, centralized systems across a portfolio of multi-unit, multi-brand holdings has the potential to professionalize the future of franchising in transformative ways.

Brands such as Dogtopia are already reaping the rewards of private equity's investment infusion with proven operators such as Jamie Weeks. Weeks, a Dogtopia franchisee in Portland, Oregon, recently became the largest area developer of the dog day care brand as part of his blossoming relationship with Prospect Hill Growth Partners, a Boston-area private equity firm.

In March 2022, , in partnership with Weeks, Prospect Hill announced the formation of Legacy Franchise Concepts (LFC), described as a "multi-brand platform focused on high-growth, multi-site consumer services concepts."

Weeks, who teamed up with Prospect Hill to become the largest franchisee of Orangetheory Fitness, spent 20 years on Wall Street. He knows what he likes—and doesn't—in both private investors and franchisors, and what he needs to scale as a franchisee for the benefit of everyone with a vested interest.

"I think we are going to be able to do it the right way," says Weeks, executive chairman of LFC. "We're going be able to put in place the processes and the things that are going to make the business better and tighter, and the people who benefit are going to be the franchisees."

Along with spearheading the operations and development of 72 Dogtopia day care locations, LFC operates the global rights to the wellness concept SweatHouz, with plans for more acquisitions in the health, wellness, and lifestyle sectors.

Weeks remains CEO of Honors Holdings, where he forged his relationship with Prospect Hill in 2017 as an investor in Orangetheory, expanding from 12 to 135 studios. He describes his partnership as being as close to 50/50 as you're going to get.

"You don't know who's swimming naked until the tide goes out," he says. "Going through a pandemic with them [Prospect Hill] proved to me that they're the best friend I could have ever chosen. I'm not saying they're the only firm, or that there aren't other firms just like them. I'm just saying that you are defined by tough times, and to me, that's most important."

CHALLENGES AND OPPORTUNITIES

Establishing the parameters and roles before going into business "is the most important thing to do when entering into a relationship with a PE group," says Luis Ibarguengoytia, president and CEO of Irving, Texas-based Chaac Foods, a division of Gauge Capital.

Ibarguengoytia, former COO of Sun Holdings, one of the largest U.S. multi-brand franchisees, is no stranger to smart, aggressive growth. His decision to partner with Gauge, the Southlake, Texas, middle-market PE firm in his own backyard, was "love at first sight," he says.

"We spent 8 months putting our partnership together without an asset to buy. Our central focus was on the relationship and the partnership first, and we knew that the assets would come. I knew there was a lot of opportunity in the space. We just needed to go find it," he says.

Since starting with a "small" acquisition of 32 Pizza Hut locations in Ohio in December 2019, Chaac Foods, named for the Mayan rain and thunder deity, has grown rapidly into a portfolio of 169 stores in 10 states covering 8 restaurant brands and a bustling development pipeline.

PARTNERS FOR GROWTH

When Esposito and co-founder and managing partner Scott Romanoff decided to form investing platform Franchise Equity Partners (FEP) after nearly 30 years at Goldman Sachs, they wanted to do something different. Backed by HPS Investment Partners, which has more than $80 billion of assets under management, they launched FEP to create a pool of capital that would be differentiated, unique, and attractive to franchisors and franchisees.

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Based in New York, FEP, a portfolio company of investment funds managed by HPS, is bullishly ready to fill the void it sees in financial equity-based options for strong multi-unit franchisees. Their plan is to make $1 billion in "passive, permanent, minority equity investments" of up to 20 franchise businesses over the next 3 years.

"We think franchising is 10% of GDP," says Esposito. "I can promise that not anywhere near 10% of institutionalized capital when it is allocated is going to franchising. We think it's a big opportunity." And their plan to hold minority, passive, and permanent positions in each brand is purposeful, with a particular emphasis on "permanent," says Esposito.

"We do not consider ourselves private equity at the investment level. We have no ability to force an owner to sell the business," says Esposito. "We are not in the business of flipping these things every 5 years. If the owner wants to sell the business in 5 years, that's fine. Get us a good price, and we'll be happy. But we will not be able to pull the trigger and force the sale of the company."

FEP plans to partner with established operators in five investment areas: auto dealerships, restaurants, heavy equipment dealerships, beverage distributors, and consumer services such as health and beauty. Each vertical must have an experienced operating partner "embedded in the ecosystem" to help "drive business impact and meaningful value for the firm's portfolio companies," says Esposito.

Among the company's early investments is a slice of one of the country's largest Taco Bell franchisees, Pacific Bells, acquired by the private equity firm Orangewood Partners in November 2021. Under the deal, Pacific Bells' founder and CEO Tom Cook and others on the management team retained a significant minority stake in the company and continue to operate the restaurants.

WHAT TO EXPECT FROM PE

The private-equity funding world is vast and varied. Culture, concept, appetite for growth, and level of preferred outside involvement must line up with a firm's expertise and strategic approach. The expectations of these investors may also be far different than what franchisees have dealt with before.

When you engage with the world of PE, your business will be evaluated on the potential return on capital measured against the potential ROI from an investment in any other industry or business—not just restaurants, "but any other investment that could yield the return sought by the investor group," says Ibarguengoytia. "Restaurants do not have big margins, and the company has to be extremely efficient to stay competitive with all other options available to investors."

"There are private equity firms that live by the data, live by Excel, and don't really get into the weeds of the human capital side," adds Weeks. "And then you have the private equity firms that are 50% data-driven, with the other 50% human capital. To me, those are the firms you want to choose to work with if you're a founder, operator, or CEO. In the world we live in today, it's much more about the human capital than it is the data and Excel sheets."

MAKE YOURSELF ATTRACTIVE TO PE

Although a new franchise deal with a private equity stake seems to make the headlines every day, bringing on an investment partner is not for everyone for various reasons, starting with size.

"I think that it's difficult for a mom-and-pop. And I don't mean that in any bad way. It's just that it's going to take more than owning three or four stores or studios," says Weeks. "You must have the ability to scale a model to 20, 40, 60, 80 stores and studios. And if you don't have that, it's going to be difficult. But if you do, and have the white space and the team in place, then I think there are opportunities for private equity firms to come into these brands and help a franchisee expand and get much bigger. It's not going to stop anytime soon."

Multi-unit franchisees that have been quick to adapt to meet the consumer's changing needs with technology, delivery, and drive-thru efficiencies can more easily capture the attention of outside capital investors.

"Their investment in technology, whether it's organic, whether it's even through acquisition, that matters to us," said Sam Banon, principal at Gauge Capital, on an episode of the Gauge Capital Podcast. "In a tight labor market with wage inflation, having more technology and being able to lean on automation helps us generate cash. So, we really are appreciative of the franchisors that are spending their cash on investing in technology."

WE REALLY WANT TO PARTNER WITH PEOPLE WE LIKE AND TRUST.

FEP looks to team up with "super strong operators" with 50 to 75 stores for the foreseeable future, says Esposito, adding that while they are "open for business" with anyone who fits their criteria, it still comes down to ethics and partnership.

"At the end of the day, these are incredible personal decisions on the part of the owner," says Esposito. "From our standpoint, if we're going to be a minority, if we are going passive, and we're going to be permanent, we really want to partner with people we like and trust."

Even if you're not ready to dive into a partnership with private equity, relationships can be cultivated for the future. Blackburn advises his fellow franchisees to create a list of potential financial partners. Meet with lenders, make phone calls, and attend gatherings, such as Franchise Update Media's Multi-Unit Franchising Conference, to build relationships and keep potential financial partners or investors updated on your company's growth and development.

"As lenders watch you grow, at some point they're going to be interested in investing in you; or they will give you advice on where to send you to someone who can," says Blackburn. "I want everybody to be hungry for what I'm doing, so when the time comes they all know who I am and where we've been. I think that makes a difference." ■

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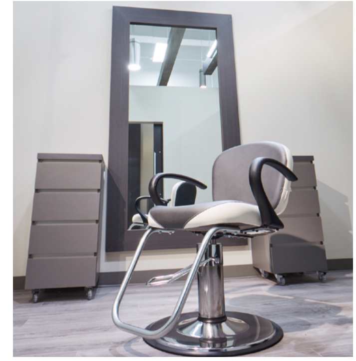
*As noted in registered FDD. The information on this page should not be construed as an offer to sell a franchise. A franchise offer can only be made through the receipt of our FDD.

FAMILY BUSINESS

PASSING IT ON TO THE NEXT GENERATION

Written by Emma Pearson



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Nobody has your back or matters more than family. As a successful multi-unit franchise owner you may be thinking of making your business a family business by bringing your children on board. For this to happen—and succeed—you'll have to develop and implement a viable succession plan and empower the next generation to take the reins of the business you've worked so hard to build.

In an ideal world, you'd begin your succession planning 5 to 10 years before turning over your business to family members. If you haven't begun the process, there is no better time than now. Keep in mind that when it comes to succession planning there is no one-size-fits-all solution. There are many ways to pass on the leadership torch or share it with your children. In addition, every franchisor has its own succession provisions, which you must carefully review with a reputable franchise lawyer and accountant to see if your succession plan can work (see sidebar).

• Have your kids own and operate their own locations. Samantha Schoenhofer, an area coach at Schoenhofer Enterprises and third-generation KFC franchisee, joined her father's multi-unit KFC business in October 2015 after graduating college the previous May. Schoenhofer Enterprises has 36 KFC locations in Kansas, Oklahoma, Texas, Colorado, and New Mexico.

"I always knew I wanted to do something in business, so when I graduated college I began pursuing different job opportunities. It was at this time that my dad said he had a position for me that would be a great fit," she says. "I started at his company as a training consultant. I was constantly on the road meeting with managers and employees. Eventually, I became an area coach, which is like a regional manager."

Over the past few years, Schoenhofer and her father discussed her becoming a KFC franchisee. She completed her franchisee paperwork and took over two KFC locations in Kansas. Her father and brother still retain partial ownership.

"The pressure of being fully responsible for my franchise locations is different. I enjoy the autonomy and freedom to make business choices, knowing that my family is backing me," she says.

In her roles as a franchisee and area coach, Schoenhofer continues to help strengthen the family business in many ways, including coming up with new concepts that have proven a big hit and by overseeing other locations.

• Have your kids expand the franchise portfolio. Another strategic way to grow your multi-unit franchise business is to work with your children to expand your portfolio, whether by adding more units of your current brand, expanding into a new market, or adding a new brand.

"When I was in college, and even when I graduated, I was working physically in the restaurants, whether it was a Popeyes acquisition, a new Dunkin' we had built, or a Checkers that was short-staffed," says Shehzaan Chunara, vice president at the Chunara Group of Companies, an Atlanta-based company with three distinct branches.

The first branch of the Chunara Group operates restaurants. Chunara and his father, Ali Chunara, have majority ownership in more 130 units across 8 different franchise brands: Checkers, Church's Chicken, Dunkin', Popeyes, TGI Fridays, Take 5, Kale Me Crazy, and My Eyelab. The last three brands make up the younger Chunara's portfolio.

The franchise side of the business has an atypical structure. "My father and I have 21 operating partners who each has an ownership interest in these franchised units alongside us. Some partners operate two restaurants with us, while others operate 15 to 20," says Chunara.

"While we predominantly deal with the franchisor, legal, and lending parts of our business, we also provide the structure in which every partner feels comfortable to work with us," he says. "We have a clean operating agreement with each of them in which each partner has the same succession rights to the business as my father and I would have. We are truly one family, which is what makes this operating model successful despite the various differences in opinion."

Eventually, he says, "My father felt that for the succession of wealth and planning I should have my own ownership holding company for any future stores we build or acquire," says Chunara. "Many of our newest acquisitions and developments have happened under my holding company instead of my father's, but ultimately we still operate as a family business."

The second branch of the Chunara Group is a real estate portfolio, which owns dozens of single-tenant properties. The third branch is involved in several private equity investments. Recently, much of Chunara's time has been devoted to bolstering and strengthening the quality of the real estate portfolio, and to increasing the number of investments in private equity funds, from the purchase of franchisors to lead investments in fintech companies.

FUTURE DREAMS

RRG Inc. is a Popeyes franchisee with 16 locations in Augusta, Georgia, and Charleston, South Carolina. The majority of RRG's ownership currently belongs to Mark and Jane Rinna, who are looking to transition the company to their daughter, Alex.

"After graduating college in 2015 with a degree in geological engineering and interviewing for multiple jobs for which I had no passion, I told my parents I wanted to work in the business. I had dreams of being the future owner of RRG," she says.

"My parents had me start training in one week. I began as a team member and worked my way up to director of marketing for our locations. Currently, I am transitioning into more of a VP role, which has me involved in every pillar of the company. In 2017, I earned my MBA to expand my knowledge of the financial side of the business."

When she joined her parents' business in 2015, they had 12 Popeyes franchise locations. "At the time, the franchisor wanted us to open more locations and said that if we did not wish to do so, they would offer the opportunity to another franchisee. I wanted us to expand, and my parents were in agreement that this was the best route for our company."

Today Rinna, director of marketing for RRG, is listed as a franchisee of her family's company and owns a small percentage. She anticipates that as she continues to prove herself, her role, responsibilities, and ownership in the business will expand.

CLEARING THE PATH TO SUCCESS(ION)

Tony Mattiacio is president and CEO of the Mattiacio Group, which operates eight Ziebart locations in Western New York. The family has been working for some time on how to transition the business to the next generation: Zach, Ryan, Mark, and Meghan.

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The four siblings currently are junior partners and work full-time in different departments of the company.

"We have been planning the transition for nearly 10 years," says Zach Mattiacio, senior vice president of administration at the Mattiacio Group. "A team of advisors including a CPA, attorneys, financial advisors, and Ziebart have been working closely with us on planning every aspect of the succession. Everything is in writing so there will be no surprises when the time comes to execute the succession plan."

START EARLY

If you are thinking of passing your multi-unit business to the next generation, start early. Long before you get to the point of bringing them on board, expose your children to the business to instill an interest in it (or to see that they have none). When they're younger, for example, have them help out by doing age-appropriate tasks.

"I grew up in KFC franchising. My grandfather was one of the founding franchisees and eventually my dad became one," says Schoenhofer. "My dad would pick me up from school when I was little and take me around to different stores. While he was doing business, I would help make biscuits, wash dishes, or check people out under the close supervision of a store employee. I loved it."

As young teens or college students, your children can work at one of your franchise locations after school, during the summer, or even take some time off from college to learn more about the business and their potential fit in it.

Talking about your business in front of your children is another way to pique their interest in it, as long as you do so in a manner that maintains their attention. Remember, your attitude toward your business will influence how your children feel about it.

"I make an effort to highlight the good things about our business at the family dinner table, not just the challenges," says Gary Robins, president of the G&C Robins Company, which owns 66 Supercuts locations in Pennsylvania, New Jersey, Maryland, and Delaware. "My children have always been inquisitive about the business, and I always encourage their interest."

3 IMPORTANT QUESTIONS

Once your children are of an age to potentially join your franchise, it's time for some discovery discussions with them. Topics to discuss before inviting them to join your business include the following.

1) What will your child will bring to the business? For a successful transfer to the next generation, there must be a fit between the needs of the business and the interests, skills, and capabilities of the children.

"I would never put my company in the hands of someone who wouldn't be able to run it successfully," says Robins.

"My daughter Lauren, who is the first of my children to join my business, has proven she is a capable businesswoman while working at other companies. She also shares our values about people, work, and money. She understands we are responsible for looking after


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the well-being of our own family as well as the hundreds of families our business supports."

In her current role as district leader, she oversees a group of salons and participates in senior leadership conversations. "As Lauren's skills progress, and with experience, she will take on greater roles and responsibilities with the goal of her eventually assuming a senior leadership role within the company, while I move more into an advisory role," says Robins.

2) Is your child excited? GoDaddy's 2020 State of Entrepreneurship study found that 56% of Millennials view entrepreneurship as a long-term goal. However, it is crucial to determine if your children are saying they'd like to join your business just to please you. Some of your children may truly be interested in your business; others may have no interest at all. It's important not to pressure them into working for you.

"My advice to children of franchisees is to pursue the family business only if you are truly passionate about it. It's important that it can bring you joy and not be a major source of stress. Find a skill you can master and use that skill to contribute to your family business," says Mattiacio.

"Have them start from the bottom, learn every single position in the company, and not expect promotions just because of their last name," he says. "Succeeding generations that feel entitled to climbing the ladder because of their last name can experience severe turmoil and employee morale issues. It is important that your staff respect you as an individual because of your accomplishments."

3) Can you work together well? Do you have a role in your business that complements and supports the strengths and interests of your children? Will you be able to spend long work days and then family time together without it becoming too much together time? Will you be able to discuss tough business topics without things becoming personal and emotional?

"It's important to put your children in a role where they can excel and to share responsibility with them. There has to be some oxygen in the room so they can shine and not be in your shadow," says Robins. "It's also necessary to allow your children to make their own decisions and mistakes so they can learn from them. In addition, establish family-business boundaries. Lauren said, 'Dad, when we are at the dinner table I am your daughter.'"

SUMMING UP

If all the boxes above are checked off to your satisfaction, the next step is to begin grooming your children to assume leadership of your franchise organization. When parent/child dynamics align, working together with the common goal of continuing to build your successful multi-unit franchise business can be a fantastic experience. It offers you, your children, and possibly future generations of your family the chance to enjoy financial security, as well as more schedule flexibility to spend quality time together. And then there's the *next* next generation to consider.

"One day, I hope my children will work and train in the QSR industry, as it is hard work, very humbling, and sets you up for success in the future," says Rinna. "If they choose, the family business will be here for them to take over." ■

TALK TO YOUR FRANCHISOR FIRST

Understanding the importance of dotting all the i's and crossing all the t's well in advance will secure peace of mind and ensure that a successful transition will occur at the proper time.

One of the first steps to take is determining if your franchisor's succession provisions will work with your succession plan. As a multi-unit franchisee, you've earned your franchisor's respect and ear. If you are uncomfortable with the wording of your franchisor's succession provisions, approach them about it and highlight how you feel those provisions could be modified to suit your needs. Your franchisor may be open to your ideas.

"I think in the right circumstances franchisors want to keep the businesses in the hands of experienced families," says Robins. "We were able to work with our franchisor to make the language clearer regarding succession. It's important that the franchisor not have the right to first refusal and not unreasonably stand in the way of a family member assuming ownership."

(For more on what franchisors look for in transferring a business, see the "Exit Strategies" column in this issue.)

ALEX RINNA


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Creating Culture

You are the people you spend time with

Written By
JOHN DIJULIUS

One of my favorite quotes led me to a leadership epiphany on workplace culture: *You are the average of the 5 people you spend the most time with.*

You have probably heard that hundreds of times before. I know that I've repeated it hundreds of times to my three boys, at new employee orientation, and to any young person who asks me for advice.

The point of this quote is that each of us is the one responsible for who we allow into our circle of friends. We must audit the people around us, make sure we are spending time with people who make us better, inspire us, and encourage us in all areas of our lives.

Leadership epiphany

Has it hit you yet, the "Ah-ha" moment? My leadership epiphany is that the employees who work in our organizations do not get to choose the people they work with, people they spend more time with than their family and friends. As leaders, we choose it for them. (See my short video on this topic on YouTube.)

Then we complain that we have good employees whose morale has gone down, who are not performing like they once were. We have good employees quitting our company. Then we blame it on the Great Resignation, the younger generation's lack of work ethic, and that all they care about is money. Wrong, wrong, wrong. Great employees hate working with lousy employees. Leaders who compromise the people they hire and compromise those they allow to stay are polluting their workplace culture. Every leader is responsible for the average of the five co-workers your employees spend the most time with. Audit that!

I disagree with the way the following adage is worded: "Employees don't quit companies, they quit leaders." While that is true, it is incomplete. The correct way to say it is, "Employees don't quit companies, they quit people." Employees quit because of the people they work with (co-workers) and for (leaders).

You can't hire your way out of a bad culture

The 2 biggest mistakes companies are making right now are 1) hiring to fill vacant positions with just anyone, and 2) keeping poor performers.

Too many companies are trying to solve their staff shortage issue by hiring people as fast as they can just to fill positions, and by keeping employees with bad attitudes. Both are huge mistakes. "A" players hate working with "B" and "C" players. Unengaged employees are like squatters taking up space and sucking the energy out of your organization.

The #1 priority for businesses today must be focusing on keeping their top talent by improving their internal culture. Stop trying to find great employees; instead focus on becoming the type of business great employees find.

What is fueling the Great Resignation?

The Great Resignation is a mass, voluntary exodus from the workforce. It is here, and it is quite real. Turnover is nothing new, and neither are corporate retention strategies. But the extreme turnover happening today across industries is a different phenomenon that requires a different approach. And it has caught many business leaders flat-footed.

There are numerous reasons, most originating from the pandemic that started in early 2020. According to a LinkedIn survey, 74% of respondents said the time spent at home had caused them to rethink their current work situation. More than 50% cited stress and burnout in their job as a reason for looking elsewhere. Others did not like how their employer treated them over the past 18 months, ranging from a lack of genuine concern to employees being forced to take concessions while senior executives didn't. The WFH dilemma opened a Pandora's box for many employees and has become a contentious issue for many organizations. And finally, yes, the extended unemployment benefits caused a lack of urgency for many to return to the workforce.

We saw a booming economy during the past decade, which always results in most businesses losing focus on the customer and employee experience. Businesses must stop thinking Ping-Pong tables and Friday happy hours create a strong company culture.

A professional awakening

For many, the pandemic has been a similar experience to that of people who have survived a near-death experience. It has caused employees to reevaluate their professional careers, not only what they want, but also what they aren't willing to tolerate any more. As noted, this professional awakening has caught a lot of leaders and companies flat-footed. However, too many leaders are using the Great Resignation as a crutch. The significant percentage of people who have quit over the past 18 months is a result of poor company culture, where leaders are focused solely on productivity and bottom-line profits.

I have seen firsthand that the companies with the strongest company culture—long before the pandemic—are significantly less affected by the so-called labor shortage. And the organizations that churned and burned their team members, and those where a "great workplace culture" was only lip service, are the ones being hit the hardest by the employee turnover.

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.

Looking for Labor?

4 hiring strategies for franchise owners

Written By
CANDACE NICOLLS

Pandemic aside, the hiring process can be stressful for busy franchisees. It's a seemingly never-ending process that's time-consuming, has frequent dead ends, and often leaves franchise owners and candidates more frustrated than when they started.

That's why now, more than ever, it's important for hiring managers to consider the needs of their prospective employees to attract the best talent. Studies show that 37% of hourly job seekers say that being hired quickly is the most important factor in deciding where to work. To attract employees, hiring managers must flex to the needs of the job seekers.

Here are 4 key solutions for franchise owners to help attract and retain the right employees for their business.

Stop the ghosting

According to recent findings, 62% of hourly workers who applied for jobs never received a response to their application. This trend of "ghosting" potential employees, while not always intentional, is disheartening for job seekers and an overall bad practice for franchise employers. In an industry where employee turnover is high, hiring managers must make an effort to follow through with every lead.

Open and transparent communication with potential employees helps develop a sense of trust with job seekers and leaves those who do not end up working for you with a good impression of the business.

Work your hardest to be accountable in the hiring process for your employees, because, ultimately, that's what you'll be asking of them.

Reduce the roadblocks

For many hourly job seekers, time is of the essence. The job response that comes back first, and with the least complicated hiring process, can be the one that is most enticing. Some will be deterred by an application with too many steps, or an interview process that's too drawn out.

To attract hourly workers to your business, it's essential to show them that you're prioritizing the time they spend interviewing with you, leaving as few opportunities for roadblocks as possible. To appeal to the needs of the quick-moving job seeker, work to make the hiring process as seamless as possible. Where you can, move more quickly to an in-person interview, minimize paperwork, and eliminate as many unnecessary steps as possible.

Expand your talent pool

To find the best fit for a job during a labor shortage, many franchise owners find the need to get creative. In a world where it's becoming increasingly important to adapt, look beyond your ideal talent pools. Throw a wider net to find more employees who want to work and are willing to learn on the job. Sometimes your "ideal" employee is not actually who you're looking for.

Robust and unrealistic requirements for employees can deter a job seeker from ever applying. For example, if the minimum requirement for working a register is 5 years, but they only have 3 years of experience, you may have just lost out on a perfect candidate because of a minor condition of the application. Additionally, underrepresented groups who may have less experience because of societal roadblocks may be less likely to apply.

In this new world of hourly hiring, soft skills (customer service, workplace communication, and timeliness) are essential for prospective employees. These skills aren't taught, but are learned through experience. In some ways, they can be more valuable than that minimum of 5 years on the register.

Rather than focusing on specialized job experience, I challenge franchise owners to be open to employees who have mastered these softer skills, which can be translated to match the role you're hiring for. With this approach, you'll widen your pool of potential employees, adapt employees to fit your specific roles and business, and build loyalty.

Adapt to succeed

In a world that's changing so rapidly, the key is simple: you must adapt to succeed. It is easy to stick with the status quo and keep your hiring process the way it is, but there is true value in being open to implementing new ideas to attract talent and fortify your business.

As job seekers become interested in new opportunities and prefer new ways to get hired, franchise owners must be on the forefront of this new wave to attract and maintain the best talent.

Candace Nicolls is senior vice president of people and workplace at Snagajob, the country's largest platform for hourly work, with 100 million registered job seekers and job opportunities at 700,000 employer locations in the U.S. and Canada.

Site Selection Has Changed

Second-gen, smaller sites are in demand

Written By
JOHN RAMSAY

Site selection, like everything else in the restaurant industry (and world), has completely changed since the start of the pandemic. Gone are the days of building brand-new, massive restaurants adjacent to entertainment centers for the best results. Now, second-generation, smaller sites chosen using state-of-the-art data are the way of the future and leading to higher-volume restaurants.

As the restaurant industry enters this new world of site selection and all the challenges that come with it, here are the top tips for franchisees searching for the right location to build or open their business—and for the franchisors working with them to find it.

Bigger isn't always better
In today's world, large square footage isn't the go-to advantage anymore. Some sites now work better as a grab-and-go location, as opposed to a traditional dine-in restaurant. Now is the time to reevaluate areas and consider what type of real estate meets your restaurant's modern-day needs. As consumers continue to embrace drive-thrus and pickup, I advise that you look at sites with drive-thrus, pickup windows, and smaller dining rooms. Unfortunately, these sites are the hardest to find because everyone today wants them. You're going to have to do some work to find them, but in my experience, the best diamonds are found in the rough.

Data, data, data
Look at what's relevant from demographic data. Simple points of data such as age, family size, and income tell us a lot about our clientele and where we should open next. What's relevant to producing high sales or high volume? No longer based on location, successful restaurants are now driven by off-premise offerings, including delivery, pickup windows, drive-thrus, and accessible parking. These offerings allow on-the-go guests to pick up food without leaving their vehicle, a luxury many grew to enjoy during the pandemic. These offerings are also attractive to third-party delivery apps, another driver of high-producing sites.

Embrace second-gen locations
Surprisingly, and despite popular belief, there is not an abundance of retail or restaurant space available. Construction took a downturn with the economy. And with investment in nonresidential structures declining, new structures ready for fast-casual restaurants are increasingly hard to find. Restaurant spaces that closed during the height of the pandemic are not suitable for traditional restaurant franchise brand sites. Because of this, there is now a need to look at second-generation spaces for new restaurants—and to embrace your ability to find different communities and gain new insights when deciding where to open a new store.

Let loyal customers lead the way
Loyalty apps provide us with a wealth of information about our guests. We should let these customers guide our real estate decisions. With this invaluable data at our fingertips, we leverage this first-party data about our existing loyal customer base. The merging of consumer marketing data with real estate data identifies who—and where—our customers are, helping to guide us on where new sites should open.

Along with loyalty rewards customers, third-party delivery apps are more important than ever for our business. These third-party apps need easily accessible locations for their drivers, who are on the go making multiple deliveries. In addition, visibility is more important than ever. If your restaurant is easily visible, it's that much easier for customers to visit. Pickup windows and adequate parking are also important, as they increase accessibility and make it easier for loyal customers and delivery app drivers to visit.

Concentrate brand awareness
In newer markets, leverage the existing brand awareness you have. It would be logical to open a location nearby to an existing location, say 5 miles away instead of across town. Consider delivery as customers on delivery apps don't necessarily know where the restaurant is, just that it's near them. Linking delivery areas increases brand awareness in concentrated areas and puts the restaurant in a better position for success when new locations open up.

Be flexible
As everyone in the restaurant business knows, we must be flexible, and this couldn't be truer than when it comes to site options. With fewer new facilities being built, you must have the flexibility to work with the existing construction. A site on the West Coast is going to be different from a site in the Midwest, so we shouldn't be afraid of opening locations that aren't identical to our other restaurants. With the restaurant landscape changing rapidly, now is the time to evaluate the importance of the dine-in space for your restaurant's experience and how much space is really needed. Although you should be flexible, be cautious to not throw out elements essential to your restaurant's success.

Conclusion
Although things will never be the same post-pandemic, and we can forget returning to "normal," our industry must embrace these new challenges to continue serving our customers and meeting them where they are. I look forward to seeing the changing landscape of the industry and how sites chosen in 2022 and beyond will prioritize customer convenience unlike ever before and help us emerge from the pandemic stronger than we were before it started.

John Ramsay is vice president of franchise sales for Noodles & Company and has extensive experience in real estate site selection.

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2022 Franchise Economic Outlook

New data sees sunnier prospects ahead

Written By
MATT HALLER

Franchises had an exceptional year in 2021. And 2022 is expected to be another year of impressive growth across every sector. The strong rebound in the U.S. economy was powered in large part by these local businesses, their millions of employees, and the entrepreneurs who lead them. As the pandemic continues to evolve, both the performance and projections for franchises in every region and across every sector suggest that owning and operating a franchise continues to be one of the savviest moves an American entrepreneur can make.

According to the IFA's newly released report, the "2022 Franchising Economic Outlook," 2021 saw an explosive rebound of franchises' economic output to nearly $788 billion, an increase of 16.3% over 2020. While it is true that part of this impressive increase was driven by franchises' renormalization after a sharp contraction in 2020, that is not the whole story, since 2021 surpassed output in 2018 by a substantial $20 billion.

With or without the pandemic, 2021 was a remarkable year of growth, as seen in every business line. The lodging sector saw the most explosive growth in output, increasing more than $30 billion from 2020 to 2021 to total nearly $83 billion. U.S. gyms, entertainment venues, beauty salons, and other businesses in the personal services sector also saw a remarkable resurgence, increasing in output by almost 38% over 2020 figures. With an exploding housing market, real estate had an impressive year as well, outgrowing its pre-pandemic output by a healthy $5 billion.

The story of this remarkable increase is the same across franchise employment and in the number of new establishments that opened in 2021. The number of employees increased by 8.8% to nearly 8.2 million, bucking the "Great Resignation" narrative to show the attraction of jobs statistically likelier to pay higher wages, provide better benefits, yield greater career advancement, and retain more employees than other independent businesses.

All this derives from the increased training and support franchisors provide their franchisees, even as employment remains the responsibility of the franchisee, and it partially explains how the U.S., coming off a pandemic, could see a 2.8% growth rate in the number of franchises established, surpassing the pre-pandemic total by more than 1,000 establishments. Last year's figures show the attraction of franchise employment at every level, from early career to owner/operator.

We expect franchising to continue to trend upward in 2022, although as the economy evolves into a new normal, the growth rate will likely slow and stabilize as well. Franchises' economic output is expected to increase by another 5% to more than $826 billion, surpassing 2019 levels. To account for this continued growth, we project franchises will add another 257,000 jobs to the U.S. economy, an increase of 3.1% over 2021.

We also predict the number of franchised establishments will increase by 2.2%, outpacing the pre-pandemic rate to add about 17,000 new locations in 2022. As in 2021, we expect the sectors with the most growth in 2022 to be personal services, with a projected 3.1% rate of expansion, and commercial and residential services, for which we forecast a 2.7% expansion rate.

Franchises' rate of growth will depend less on sector than on their location within the country. From employment to the number of establishments and their economic output, franchises across the U.S. will likely keep trending upward in 2022. However, regional differences in business climate, migration trends, and changes in consumer preferences will determine, at least in part, whether this growth rate is impressive or middling.

State of the states

A sleeping giant for the rate of growth depends on state policy choices, such as the California FAST Act. Introduced after the federal failure of the Protecting the Right to Organize (PRO) Act, it threatens to upend the franchising business model. What happens in California tends to spread to other states as well, so 2022 could bring headwinds to states across the country. As with any business decision, careful consideration of any potential challenges is necessary to avoid prematurely taking the plunge without the full context of the business' likelihood for success.

Still, it's not surprising the states that will likely see the largest overall upward trajectory for franchises are the states that reject these misguided policies and that attracted the most in-migration during the pandemic. Texas, Florida, and Arizona are projected to round out the top three, with Nebraska, North Carolina, and Idaho joining the list as well. Regionally, we forecast the West and South will see the most significant growth in 2022, in part because so many have moved to these regions in the era of remote and hybrid work, and in part because their state leaders have generally enacted favorable policies to allow franchises to expand.

Conclusion

Franchising's exceptional performance in 2021 was no outlier. Its unique business model and low barriers to entry encouraged impressive growth that helped drive the overall U.S. economy to its explosive rebound. In 2022, franchises across every sector and every region will continue to see growth that likely continues to outpace the pre-pandemic rate, particularly because the franchise business model insulates entrepreneurs from inflationary pressures because of the economies of scale brands are able to build with suppliers. These businesses' 2021 performance and 2022 projections make it obvious that America's economic recovery is being led by franchises—and by the entrepreneurs who lead them.

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

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Spring Cleaning

4 actions to ensure your books are accurate

Written By
BARBARA NUSS

You've heard the saying "Garbage In, Garbage Out" that implies poor quality input will always produce faulty output. A good business person reviews the balance sheet and income statement every month. They make decisions and adjust plans based on how actual results are tracking compared against the budget. Relying on inaccurate statements could cause you to make a bad choice.

Perhaps your business could stand some spring cleaning. Here are four things you can do to ensure your books are accurate and reliable.

Have a great bookkeeper and accountant. It is critical for your business to have an excellent bookkeeper. Don't try to do it yourself or force a family member to do it if they don't have the proper skills or training to keep your records straight. Both you and your bookkeeper need access to an accountant who can help establish sound accounting practices. Use them as a resource when making financial decisions and when you have questions about how to handle unusual or complicated transactions.

There is a cost to having good people in the right role. But in the case of your bookkeeper and accountant, the cost can be far higher with the wrong person in the role, regardless of how much or how little is paid.

Keep written accounting policies and procedures. Your accounting policies and procedures represent the recipe your business will follow to record the dollars and cents of your business activities. This includes things like your chart of accounts, job descriptions, and duties of accounting and recordkeeping staff. Your policies also define how you will account for things like depreciation, accounts receivable, bad debts, inventory, prepaid insurance, and all other routine transactions. Well-designed and written policies can keep your accounting consistent when onboarding staff and transitioning roles.

The procedures must provide for checks and balances that assure the major items on the balance sheet and income statement are accurate. If you're reviewing the statements monthly—which is what we recommend—you'll need to assure that the accounts are accurate every month. Don't wait until the end of the year when the tax return is prepared. You are making important decisions based on the results shown on your financial statements. You must be confident that you are getting the true story.

Are your procedures properly designed and documented? Have they been evaluated by a knowledgeable accountant who understands the nuances of your business and your industry? Do you know if your policies and procedures are consistently followed? If you're not sure, schedule a call with your accountant to discuss it.

Separate duties to limit risk of errors… or worse. Don't put your business at risk by having one person do everything from counting the cash and checking in the inventory to recording transactions in the books and verifying that it's all accurate. At a minimum, it is highly likely that mistakes will go undetected. Worse, intentional misrepresentations that hide internal theft would go undiscovered.

A better strategy is to separate certain duties. That is, have a one person handle the cash or goods, a different person record the transactions in the books, and a third person verify that everything is accurate and that the accounting procedures are followed. Unfortunately, for many businesses, there are just not enough people to separate the duties, so we rely on the integrity of a single person we trust to look after the back office. This creates unnecessary risk. Find a way to separate the duties of handling assets, recording transactions, and verifying accuracy.

Provide adequate supervision of recordkeeping. It's hard to know that your bookkeeper and accountant are doing everything correctly when you're not an accountant yourself. It is one of the most difficult areas to supervise. I believe this is one of the reasons people prefer to rely on integrity and trust, because they don't know what the accounting folks should be doing to begin with. An experienced and knowledgeable outside accountant can help by regularly assisting with monthly or quarterly adjustments to the books. Don't be afraid to ask their opinion of how the bookkeeper is doing. Ask for suggestions about procedures that would ensure accuracy.

I speak with hundreds of franchise owners every year. We talk about best practices, opportunities, and roadblocks. It seems that whenever there are 10 or more businesses represented in a room, there is at least one that has had a theft or embezzlement involving someone who was trusted too much. Someone who was just like family. And, in many cases, someone who actually *was* family.

Don't make yourself a victim. Have a sound structure for your accounting processes and make sure it's being followed.

These four things will help you keep your books accurate. Your financial information must also be timely. Your records need to be kept up to date. Always.

Got a problem? Get it fixed!

If your bookkeeper can't produce financial statements within two weeks of the end of the month, make it a priority to find out what the problem is and *fix it*. Also expect to have your year-end financials complete shortly after year-end. Tell your accountant that this is important, and make sure everybody involved is committed to doing what it takes to make it happen.

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.

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Regime Change?

The past 2 years have changed what we thought we knew

Written By
CAROL SCHLEIF

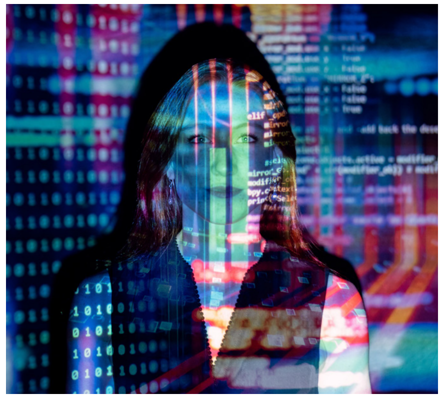
"The secret of change is to focus all of your energy not on fighting the old, but on building the new." (Way of the Peaceful Warrior, by Dan Millman)

As a rookie strategist in the early 1980s, I remember distinctly some of the pronouncements I received from the gray-haired portfolio managers I was working with: "Never pay more than 1x the revenue growth rate for a stock."; and "Don't buy stocks until dividend yields are above bond yields."

At the time, the DJIA had just vaulted above 1,000, territory it hadn't seen since the 1960s. Average daily trading volume on the NYSE was below 100 million shares. Retirement 401(k)s hadn't really been invented yet and held no assets. Less than 5% of the population owned stock, and the DJIA traded at roughly 7x earnings. Dividend yields, especially on food, consumer staple, and health care companies were regularly in the 5% range. And, as investors had been taught, dividends were how they were to be compensated for the risk of owning equities, versus the reliability of fixed-income coupons.

The 1970s were brutal for fixed-income and equity investors alike with double-digit inflation, commodity dislocations, wage/price spirals with cost controls, and regulated industries as far as the eye could see. A huge stock market rally and coincident IPO boom in the fall of 1982 had many disbelievers. Common lore, in fact, was that double-digit interest rates were here to stay and oil would hit $150/barrel before leveling off.

We know from the benefit of hindsight that most of those pronouncements did not come to pass, and that the subsequent 40 years would usher in unprecedented booms in both stock and bond markets. Now, as a longtime observer of market action and behavior, the question plaguing me these days is, Are we on the precipice of



yet another shift that will upend many of the relationships that have dominated the past few decades? Time will tell. But many aspects bear watching and careful consideration as they relate to portfolio construction, business funding, and our own financial affairs.

Interest rates, prices, and inflation

Markets witnessed dramatically heightened volatility in early 2022 as investors recalibrated their expectations for durable versus transitory inflation and a (much) more hawkish tilt to U.S. Fed policy. While the Fed had been expected to begin raising rates later in 2022, the persistence and strength of economic numbers, supply chain shocks, strong consumer demand, and commodity price increases pushed them to express the likelihood of faster balance sheet wind down and earlier rate increases by early January. Growth investors who had become used to thinking that low rates would support valuations far into the future quickly recalculated—driving previously high-flying names down by high double-digit percentages. Sectors and companies perceived to benefit from rising rate environments and/or displaying more defensive characteristics (utilities, staples, financials) held in better.

The change in investor mindset toward Fed increases did not translate across the curve to the fixed-income markets. While shorter denominations moved upward (especially 5- and 10-year notes), the long end of the curve remained relatively steady, and spreads to high yield did not widen unduly. This suggests that investors have a more sanguine attitude toward long-term inflation. While prices are up (and in places unlikely to reverse themselves quickly, such as rents and wages), the rate of change should level off.

Bottom line for investors? Get used to somewhat higher price levels for many things than we've been used to in the recent past. But a return to the inflationary spirals of the 1970s does not seem likely. As consumers and investors, we have become exceedingly used to short-term rates at zero. Our current reversion to a more normalized level in the low single digits may hurt initially, but there are plenty of individuals (long-term savers), workers (who can see higher than 0-2% wage increases), and companies (who now have a bit of pricing power) that can benefit in the long run.

The inflationary/deflationary cycle

Nearly three-quarters of the U.S. economy is based on consumer spending. Up until the pandemic, a large proportion of that spending was for services (eating out, concerts, haircuts, education, training), with much of the manufacturing activity shifting to overseas, and sellers of all stripes counting on just-in-time inventory. The shift to reshoring had begun well before the pandemic, but a dramatic shift from services to goods (home office, workout equipment, new couches, kitchen tables, grills) threw sand in the gears of an already fragile supply chain.

Boom/bust cycles in the 1970s were often exacerbated on the upswing and downswing by a society that was more manufacturing-dominated than the one that exists today. As we reshore more manufacturing (thanks to tariffs, supply chain disruptions, a desire to have critical infrastructure returned to the U.S., and a newfound intent to have manufacturing closer to the consumer), will the pendulum swing back to a more manufacturing-dominant society? If it does, there is a chance we could reintroduce the more volatile economic swings of the 1950s, '60s and '70s, which were predicated on inventory accumulation and work down. We are a long way from that point and there are many deflationary impacts (particularly advances in technology and more efficient manufacturing techniques), but the trend bears watching at the margin.

All told, the past few years have changed a lot of what we thought we knew about how consumers, businesses, and investors will behave. Keeping our minds open about the way the new normal emerges will be vital to helping us keep our collective footing in the quarters and years 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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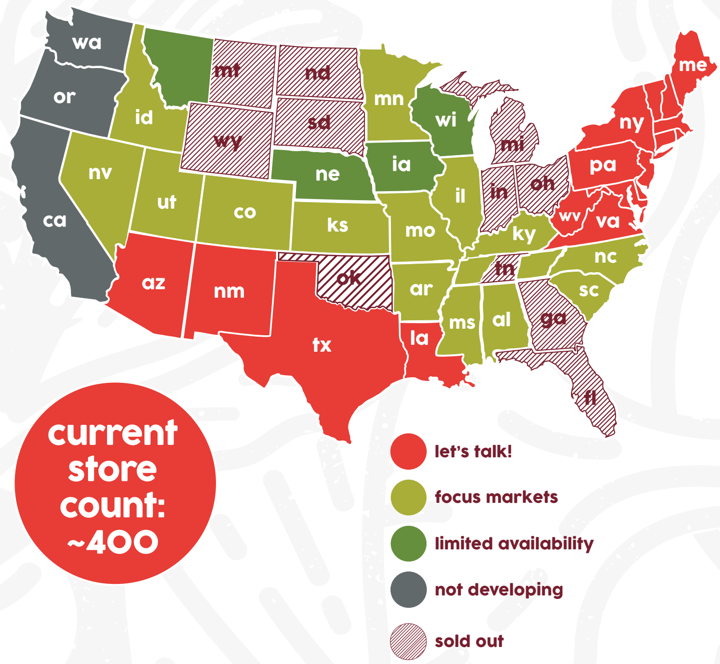

current store count: ~400

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  - year 3 – 4%
  - year 4 – 5%
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Cinching the Deal

What franchisors look for in franchisee transfers

Written By
CARTY DAVIS

Congratulations, you've found your buyer, agreed on a purchase price, and have a deal in place to sell your franchised business. You are months away from realizing the value of the hard-earned equity you have built over the years through countless hours of work, investing, and reinvesting—and in many cases, risking it all to achieve your dreams. There is just one catch: Since you are selling a franchised business, the franchisor also has a role in the process. While the exact terms, conditions, and protocols vary from brand to brand, the level of franchisor involvement in transfers today has evolved beyond a simple "No" on their right of first refusal or rubber stamp approval.

Brand approval process

A negotiated deal between a buyer and seller only starts the final approval process. It is important to first understand brand franchise documents to determine how and when best to alert your franchisor of the contemplated transaction. In almost all cases, the buyer and seller are required to send their purchase agreement or other written sales document to the brand for review. The franchisor then has final approval, and the seller and buyer must anticipate and do their best to manage the approval process. Follow the rules and established protocols. Seek counsel from attorneys, deal advisors, and fellow franchisees, especially those with insight or experience working with a particular brand on previous transactions.

When evaluating franchisee transfers, franchisors look at various factors, including the following:

Operational experience. Expect the franchisor to ask pointed questions around background, experience, plans to support and operate the units, spans of control, audits of existing facilities, even if these are in another brand. Are the acquired locations contiguous to existing markets?

Financial capabilities. How is the buyer paying for the transaction? Expect the franchisor to thoroughly analyze the buyer's credit history, liquidity, and debt structure for acceptable leverage ratios. In addition, the buyer may have remodel or reimage obligations and/or new unit development requirements whose costs extend well beyond the initial purchase price. All partners in the process will be vetted. In most cases, owners with 20% or more will be required to guarantee franchise obligations.

Legal requirements. Ensure that all documents and franchise documents are reviewed by experienced counsel to ensure brand compliance. In addition to the operational and financial requirements of a buyer, it is important to also make sure a buyer is brand compliant. This most frequently becomes an issue regarding competitive concepts and the expanding noncompete requirements brands are placing on their franchise systems. This can be an immediate reason a transaction is not approved.

Conditional brand approval

Increasingly, brands are conditionally approving transactions based on buyers agreeing to certain terms, often in the form of future development obligations. It is important to understand any development requirements and penalties associated with noncompliance, as these can vary widely depending on the brand and geography. Another common condition for approval is an accelerated remodel or reimage timeline.

The additional requirements can affect value and the interested buyer pool. Will a buyer ask the seller to split some of the cost? Does a transaction still make sense? Both development and reimage requirements must be managed to ensure brand approval.

Right of first refusal (ROFR)

Most brands have a definitive ROFR in their franchise agreements. It is another tool brands use to influence franchisee transfers. ROFR can impair marketability if there is substantial risk of a franchisor invoking its rights. But more often than not, brands use their ROFR in combination with the approval process to steer transactions to preferred candidates—which may not always align with maximizing your value in a sale. Brands may favor different franchise groups based on:

- Capitalization, equity contributions, financial capability, and commitment to new unit development
- Franchisee geography within DMAs, trade areas, etc. Many brands are resistant to seeing franchisees expand beyond their core footprint or in nonadjacent states and markets.
- Size of franchise groups. Many brands don't want groups becoming too large too fast. Some want larger franchisees to take over turnaround situations that require patience and capital. Every situation is different.

If a buyer feels there is substantial risk of nonapproval, they may be reluctant to incur expenses to move the transaction forward related to legal and diligence. In such instances it may be in everyone's best interests to structure a split or partial seller reimbursement of expenses.

If the brand does exercise its ROFR, it is the fastest and most certain way to recognize value. To protect value however, it is important to have a fully executed purchase and sale agreement in place, or as close thereto as possible. The timing of when to approach the brand about a transfer and the execution of a purchase agreement doesn't always align, and is always a critical juncture in every transaction.

Key takeaway

Have a strategy before bringing the franchisor into the process. Every brand and every transaction is different. In some cases, the seller might want to bring them into discussions early; for others, it is when the contract is complete. Deciding who to speak to at a brand can be equally important. Sometimes speaking to two different people at the same brand can result in two different answers. Be aware of previous transactions. Speak to other sellers. Then you can develop a plan for how, when, and at what level to communicate with the franchisor.

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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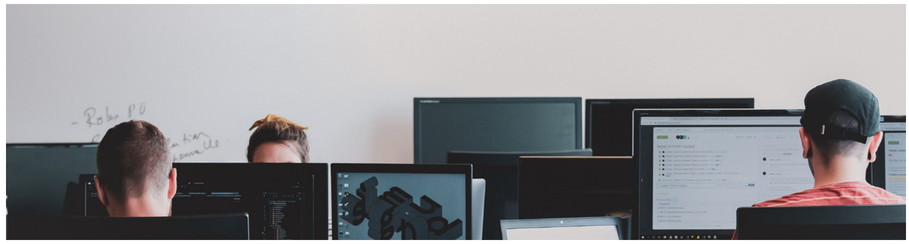
Deciphering the Labor Market

The numbers behind the labor shortage



Written By
DARRELL JOHNSON

We've had spectacular job growth in the past 2 years, yet the U.S. labor force is still about 1.8 million workers lower than at the start of the pandemic. Initially, many said the slow employment recovery was because of the Cares Act providing a safety net for many lower-wage employees who otherwise would have returned to the workforce. Those support programs have largely ended. Then the argument was that employees were afraid to return for health reasons. Now that's largely dissipated.

We conducted a labor survey for the IFA in the first quarter. It reflected the same challenges most businesses were experiencing, but it also provided some additional insights and solutions.

Franchises are encountering a shortage of both skilled and unskilled applicants. They also are challenged across hourly and salaried workers. This is affecting both current operations and growth. The survey showed that franchisees were attacking the problem in much the same way businesses everywhere are doing, by raising wages. Further, benefits are expanding in an effort not only to attract candidates, but also to create job stickiness.

Clearly, these are short-term responses to filling job positions. Rapidly and continually rising labor costs are hard to keep passing along to consumers by continually raising product and service prices. When also confronted with other rising input costs, eroding profits will turn into business losses at some point. To understand where all this is headed, let's start by looking at what is really happening in the labor market right now.

The data tells a story

A key statistic for labor economists is the participation rate, which is the percentage of working age (16 and older) Americans either employed or looking for work, divided by the total population. Today that number is still 1.1 percentage point (1.8 million) short of where it was on the eve of the pandemic in February 2020. The fact that participation is still so much lower—even as the unemployment rate approaches pre-pandemic levels (it was 3.8% in February, compared with 3.5% in early 2020)—is both an explanation for some of the strange things going on in the labor market these days… and a phenomenon that itself calls out for explanation.

Part of what's going on is simply that Americans are getting older, with the oldest members of the giant Baby Boomer cohort turning 76 this year. The size of the Gen X pool is smaller than that of the Boomers, which makes for a comparatively scarcer experienced replacement force. However, the feeder system of Millennial and Gen Z populations are each about equal to or greater than the Boomer pool, so the labor market should be rounding back to form as these demographic groups gain experience.

Now comes the Covid disruption. Understandably, the 45- to 54-year-old household population has been significantly disrupted by the need to support school-aged children unable to attend school. This is altering the career paths of many people, often by changing their desire to return to work, at least at the level they were before, coining the phrase "The Great Resignation."

That's hard enough to resolve. But an even greater challenge confronting many businesses is the big gap in younger populations entering or reentering the workforce, which is affecting their ability to hire and retain employees. It surfaces in the shifts *within* age groups, shifts that must be understood in order to put businesses back on the growth path.

The labor force participation rate (published by the Bureau of Labor Statistics), strongly suggests that there's something else going on here with the younger, less-er-skilled or non-skilled populations. Their mindsets have changed, and your approach to employee stability hinges on understanding what has changed. The best way I can describe what happened is the concept of a "gap year," which is no longer just about the transition from high school to college. It has permeated teens and 20-somethings thinking about jobs and careers.

Graduating in the midst of past recessions has resulted in negative effects on earnings that persist for as much as a decade. Now we are seeing the high school dropout rate rise. College matriculation numbers are down. Wages are up 10.6% over the 12 months ending in January, according to the Atlanta Fed's Wage Growth Tracker. Yet job numbers in the 16-24 age group also are down.

If raising wages isn't sustainable (nor seems to be working anyway for many, especially entry-level employees), what's the answer? Perhaps it's time to look at what younger employees value and adjust your hiring models accordingly. This isn't just about wages, benefits, flexible schedules, and more time off. There seems to be more to it than that.

A few years ago I met a franchisee of frozen dessert units operating in urban, largely minority concentrated areas. I asked her about how much staff turnover she had. Surprisingly, she said she had very little. I then asked who she was hiring to get that result. She said mostly teenagers and those in their early twenties. I then asked the critical question: How in hell are you doing it?

She smiled and began describing her understanding of what motivated her employees. She said the key is finding things that are really important to them. For her, it was free laundry services. She explained many of her employees were living in single-parent households and had many responsibilities. She took care of a few of those responsibilities, and that led to employees who were proud to invite their families into their workplace. So what's the secret for your employees?

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

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