Multi-Unit
Franchisee
ISSUE 1, 2023

Conversions New uses for old spaces

Labor Hiring & keeping the best in '23

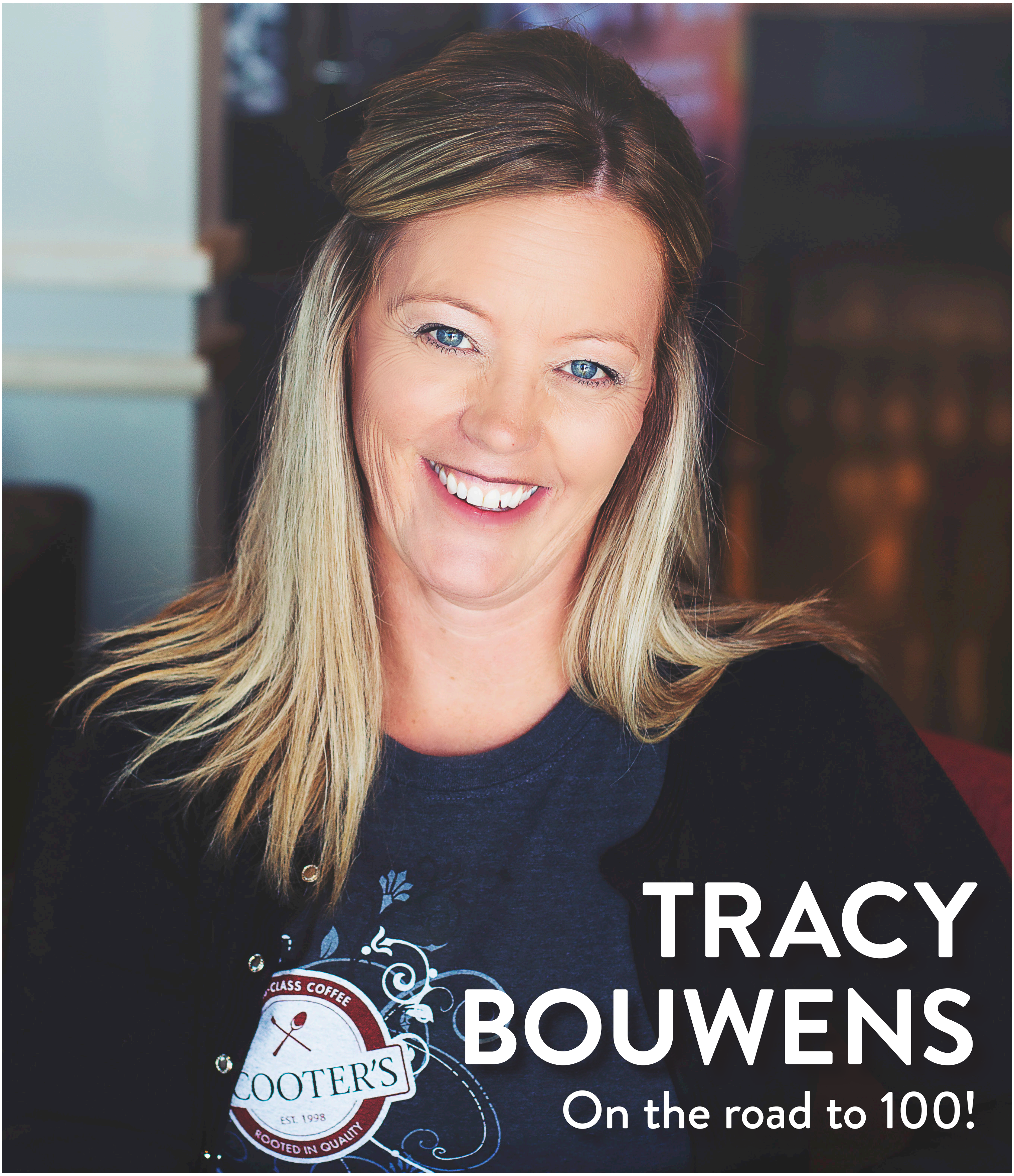

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*FIGURE REFLECTS THE AVERAGE ANNUAL GROSS REVENUES FOR 100 FRANCHISED BONCHON RESTAURANTS IN THE SYSTEM THAT WERE OPEN DURING THE MEASURED PERIOD FROM JANUARY 1, 2022 THROUGH DECEMBER 31, 2022, AS PUBLISHED IN ITEM 19 OF OUR MARCH 4, 2022 (AMENDED 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. **5 YEAR GROWTH RATE IN NUMBER OF UNITS FOR THE YEAR ENDED DECEMBER 31, 2021. ***THE FULL YEARS STARTING JAN. 2019 THROUGH END OF YEAR 2021, AS NOTED IN ITEM 19 OF THE FRANCHISE DEVELOPMENT DOCUMENT.

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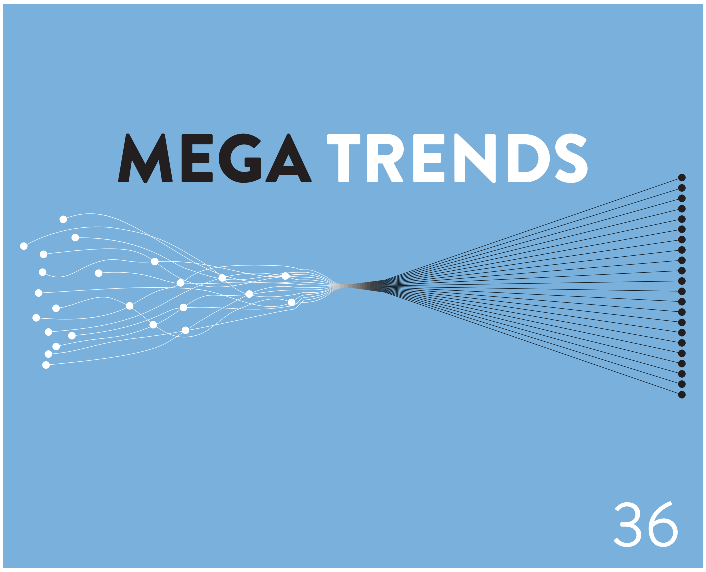

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*$1,009,803 System Wide Average Net Revenues. Based on our fiscal year ending 12/26/2021 and includes 768 Restaurants that were open for at least 12 months as of 12/26/2021. Excludes non-traditional locations and Restaurants that were not open for at least 357 days in 2021. This information appears in Item 19 of our Franchise Disclosure Document. Your results may differ. There is no assurance that you will do as well.

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Entrepreneur FRANCHISE 500 2023 VERIFIED

THE FRANCHISE FOR

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AVERAGE NET INCOME PER STORE*
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"As someone who was looking to own multiple franchise locations, I needed to see how I could make my returns. I found the straightforward earning potential I was looking for with American Freight's business model."

GREG CANZANO, FRANCHISEE

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*This information reflects the Average Gross Sales and Average Net Income for American Freight company-owned retail businesses which were open for more than a year as of fiscal year end 2021 and had annual gross sales of at least $4,500,00.00. Of these 20 retail businesses, 9 attained or surpassed the Average Gross Sales and 9 attained or surpassed the Average Net Income 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.

PART OF FRG FRANCHISE GROUP, INC.

Editor's Note

The "80-20" Conference Rule

Greetings Fellow Franchisees,

I hope you and your families have had a peaceful and healthy holiday season. On the horizon is what I call "conference season." It's that time of year when numerous conferences and meetings are scheduled for us to attend. As I reflect on the past, it's become apparent that the 80/20 rule also holds true for conferences and meetings. I get 80% of the value from 20% of the conferences I attend during the year. So if I attend five conferences during the year, one of them will provide 80% of my learning, ideas, and opportunities. The Multi-Unit Franchising Conference is that one!

Like many of you, as I try to improve the performance of my business, I am constantly at battle with working on what is important versus what is urgent—always striving to focus on those activities that provide the most bang for the buck, my "high-payoff activities." Attending any conference is time-consuming, but in the long run my attendance at the MUFC has always provided me with significantly valuable returns.

Attending the conference has provided me with the unique opportunity to make personal and meaningful connections with today's thought leaders in franchising, to stay connected with my friends and colleagues, and to build new relationships. I've gained and shared new ideas and best practices through the educational tracks, where high-performing franchise entrepreneurs share their experiences in facing today's challenging environments, gaining irreplaceable knowledge and information that I have applied to improve my business.

At the conference, you will have the opportunity to explore the many resources that are available to help run your business more productively and efficiently. There is no other place I know where so many suppliers and vendors gather to share their products and services with franchisees. You will also learn what your competitors are doing and what you can do to set your company apart.

This year's MUFC will also bring together the latest trends and opportunities in franchising. Whether you are looking for an established brand or a breakthrough concept to grow your business for the future, you will find it there.

Whether you are a first-time attendee or a veteran, the MUFC will revitalize and reenergize you and your team. You'll come back with knowledge and insights and ideas to move your business forward for the future. And you'll have made meaningful connections that will last a lifetime. Attending the conference is without a doubt a high-payoff activity. I look forward to seeing you soon!

Gary Robins

GARY ROBINS

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5-Brand Powerhouse

On the road to 200 with latest deal

Written by **SARA WYKES**

SUDESH SOOD

President

Company: **Warner Food Management**

Units: **154 Jack in the Box, 14 Noodles & Company, 7 Panera Bread, 4 Black Bear Diner, 1 Popeyes**

Family: **Married with 2 daughters and 3 grandchildren**

Years in franchising: **40**

Years in current position: **40**

As many have done before him, Sudesh Sood came to franchising because he wanted to do something on his own. He arrived in the U.S. after several years in the United Kingdom, where he'd built a successful career as an accountant. But something was missing.

His first job in the U.S. was in management with a large corporation, but that wasn't working for him. Then he spotted an advertisement for a Jack in the Box franchise location. Between what he could gather from selling his house in London and a fortuitous loan from a small local bank, that first franchise was his.

Today, as president of Warner Food Management, with 180 locations across five brands, Sood's philosophy is the same as when he started out: Work honestly, work hard, stay hands-on, and look for opportunities. His latest expansion move is an exclusive partnership in California with Noodles & Company. He's formed a new company, NorCal Noodles, to develop 40 locations in the next 12 years.

Although his successful foray into franchising shows no signs of abating, Sood says, “I am not afraid of unplugging when needed so I can spend quality time with my family.” He credits his wife as “the secret behind my success. She is my number-one supporter and has always encouraged me to follow my dreams and pursue my passions.”

PERSONAL

First job: Accounting clerk.

Formative influences/events: While working in London, I noticed many people visiting from the United States. After listening to their success stories, I decided to move to the USA to achieve similar success in this promised land. I was always hunting for opportunities to better myself and achieve my childhood dream.

Key accomplishments: From my first job as an accounting clerk to CFO of a multi-department store in London, I'm now an entrepreneur with ownership of 180 restaurants here in the U.S. and now looking to venture into hotel development.

Biggest current challenge: Like most restaurant operators, we are facing the challenges of hiring, along with the economic inflation in every industry.

Next big goal: We hope to continue to grow in the restaurant space and surpass 200 locations in our portfolio. The next goal is expanding into the hospitality industry and developing quality hotels.

First turning point in your career: When I was selected to be a franchisee of Jack in the Box. Given the opportunity to grow with the brand, the acquisition was the best decision of my career.

Best business decision: To put my trust in the right people. In addition to getting my family involved, I found the right business partners—Ben Nematzadeh and Eddie Nieves—along with the long-tenured administration staff who are with me today.

Hardest lesson learned: It's exciting to grow your business, but not too quickly. Expanding too quickly in different states was the hardest lesson for me. I had to make the difficult decision to pull out of those opportunities and refocus my expansion strategy.

Exercise/workout: Five days a week.

Best advice you ever got: Work hard, be honest, and stay within your means.

What's your passion in business? Hospitality and food has always been my passion, and has been for the last 40 years! I enjoy what I do and can't wait to do more.

How do you balance life and work? There is no perfect work/life balance, but I prioritize my health and I love my job. I am not afraid of unplugging when needed so I can spend quality time with my family. We have family dinners regularly and I love traveling. We take family trips and spend quality time together.

Guilty pleasure: Traveling the world and eating sweets. I love watching and playing tennis.

Favorite book: I do not have a favorite book. I prefer reading magazines and newspapers; it keeps me current.

Favorite movie: "The Godfather."

What do most people not know about you? My wife is the secret behind my success. Without her, I would not have been able to accomplish what I can today. She is my number-one supporter and has always encouraged me to follow my dreams and pursue my passions. Since the beginning of my journey, when I did not have any money, she's been by my side. I do everything with her.

Pet peeve: I hate clutter.

What did you want to be when you grew up? An entrepreneur.

Last vacation: Portugal.

Person I'd most like to have lunch with: I love having lunch with my wife.

MANAGEMENT

Business philosophy: Work hard, treat people right, be honest, and take calculated risks.

Management method or style: Hands-on.

Greatest challenge: Keeping and growing a successful business year after year.

How do others describe you? Quiet, smart, straight shooter.

One thing I'm looking to do better: I always want to do better, and I always learn from mistakes.

How I give my team room to innovate and experiment: I let them be themselves, I let them do what they do best. I'm very supportive of their ideas, and I implement them if they make sense. I guide them by asking the right questions.

How close are you to operations? Very close. I am aware of day-to-day events. Super close!

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

What I need from vendors: Honest people who work effectively and efficiently.

Have you changed your marketing strategy in response to the economy? How? Yes, we adapt our strategy based on the environment, and we support and rely on overall brand directions. I believe timely strategy change is key to the success of the business.

How is social media affecting your business? Social media has become an integral part of all businesses, especially to keep generations engaged in a brand. Everyone has adopted the new ways, and as we continue to grow and adapt I will continue to learn and grow my business.

How do you hire and fire? Hire extremely carefully, and look for quality and attitude. We cross all our t's and dot all our i's before we terminate someone. We believe in people and are always trying to work with them.

How do you train and retain? For the most part we tend to follow our brands' training systems, recommendations, and timelines.

How do you deal with problem employees? We engage head-on but keep it consistent. I have dedicated staff to address every employee concern, particularly problem employees.

What's the fastest way into your doghouse? Dishonesty.

COVID-19

How did Covid-19 affect your business? The short answer is that it taught us to adapt literally daily. Because 98% of our businesses had a drive-thru when dining rooms were closed, we were able to continue operating. The majority of our brands really flourished. We also found an opportunity to give back and become a pillar to our community.

How have you responded? In the long run, it made us stronger. We implemented many systems during Covid that are still in place today.

> Take care of your employees, they take care of the customer who will return, and profits will improve to continue to take care of our employees. I believe that providing a great environment and treating employees like family is one of the best things we can do for them.

What changes do you think will be permanent? None. I think as a society we will continue to learn, and we will adapt.

BOTTOM LINE

Annual revenue: $300-plus million.

2023 goals: Keep expanding, keep the existing business profitable under the current cost pressures, and work with our brands' management to improve standards.

Growth meter: How do you measure your growth? Number of locations, number of brands, and new development.

Vision meter: Where do you want to be in 5 years? 10 years? To me this is already retirement. I enjoyed doing what I do, so I just see myself continuing to grow in the next 5 to 10 years.

Do you have brands in different segments? Why/why not? Yes, QSR, fast casual, and sit-down. The diversification really helps when one brand or segment is not doing that well.

How is the economy in your regions affecting you, your employees, your customers? Should I just say most of our locations are in California. I love the state, but it is probably the most-regulated state in the country and we are facing the same economic challenges as the rest of the U.S., particularly with inflation and even more with wages.

Are you experiencing economic growth in your market? Yes, the California market is constantly growing and we are growing along with it. We have plans to develop Noodles & Company throughout the state by adding 40 locations. And we are growing our Jack in the Box by developing 6 more locations in Central California and 18 in Southern California. We are working on adding two more locations in our Black Bear Diner portfolio. We're constantly looking for good real estate sites and opportunities to grow and expand. Even now, as we have upcoming unit openings/locations in the pipeline, we're looking to expand into the hospitality industry through a partnership with Hilton.

How do changes in the economy affect the way you do business? We had to increase prices more than we liked, but we have worked hard to keep them below our competitors' prices.

How do you forecast for your business? We are constantly observing trends and recommendations from the brand along with market performance.

What are the best sources for capital expansion? We prefer to keep our debt low and expand using our cash flow. It helps to build strong relationships as we have with big traditional banks.

Experience with private equity, local banks, national banks, other institutions? Why/why not? Mostly national banks since we have long-term established relationships.

What are you doing to take care of your employees? We keep improving our benefits, and for many years we have operated under the Service Profit Chain model: take care of your employees, they take care of the customer who will return, and profits will improve to continue to take care of our employees. I believe that providing a great environment and treating employees like family is one of the best things we can do for them.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? It's a delicate balance, and we're constantly looking for ways to improve efficiency and balance the rising rates.

What laws and regulations are affecting your business and how are you dealing with them? PAGA claims and the new FAST Recovery Act are just two of the big ones. We have put many systems in place to make sure we are in full compliance and work with our brands and legislation to put laws in place that protect our employees.

How do you reward/recognize top-performing employees? We always keep our employees and their well-being top of mind. We diligently find ways to improve benefits and provide certificates, bonus, recognition, etc. to boost employee satisfaction.

What kind of exit strategy do you have in place? None. I want to continue to grow and pass it to my family. ■

"Surround yourself with the brightest and most capable team members. Lead the team by energizing them."

Tasty Numbers!

Targeting $1 billion in annual revenue

Written by **SARA WYKES**

ROBERT RODRIGUEZ
CEO

Company: **Tasty Restaurant Group**

Units: **222 Pizza Hut, 90 KFC, 68 Burger King, 20 Dunkin', 15 Taco Bell, 6 Baskin-Robbins**

Family: **Spouse of 28 years, Sylvia; father of 5 (Tess, Evan, Alec, Bryan, and Maria)**

Years in franchising: **50+**

Years in current position: **5**

After 50 years in business, Robert Rodriguez has come to some conclusions about what work can be—and is using them to drive toward $1 billion in annual revenue for the Tasty Restaurant Group (TRG). After just 5 years, TRG is at 421 units with 6 brands in 22 states. For Rodriguez, though, building TRG is about more than money.

"We want to create an organization where people want to come to work for us," he says. "I want to treat people the way I wish I had been treated. I tell everybody that this may not be the job they have in 20 years, but when they leave they will be a better professional than when they came."

Rodriguez's philosophy emerged after decades of work, many of them in the corporate setting he stepped away from so he could act on his vision. "I believe strongly that there has to be a balance between career and personal life," he says, a goal that aligns with his long-held desire to help others. He grew up wanting to be a teacher. "Coaching and helping others hone their skill set gives me great satisfaction."

Trust, transparency, and honesty are the cultural values of TRG, he says, tenets that go along with scholarship programs for employees, acknowledging top performers in a variety of ways, and filling 80% of TRG positions with talent from within. Covid had an impact on TRG, as it has for all businesses, he says, and the company has responded by being more collaborative, strategic, and innovative.

PERSONAL

First job: McDonald's crew member while attending high school at age 15 in Miami, Florida.

Formative influences/events: My parents emigrated from Cuba to the U.S., fleeing conditions there. Seeing our family members struggle in a new country, not knowing the language, and scraping by gave me enormous inspiration to make the most of what I have and to prove to myself that I could accomplish what I set my sights on.

Key accomplishments: Finishing my education through to my MBA. Nothing came easy, but just having the opportunity and freedom gave me the inspiration to keep working. Believing in oneself makes most things possible.

Biggest current challenge: To continue to build a family culture within our organization. The restaurant business is about millions of details and working to get them right to serve our guests. Caring for our employees, who in turn care for our guests, who in response care for our business completes the circle.

Next big goal: To get our company to $1 billion in sales within the next 5 years.

First turning point in your career: There are two. First would be joining PepsiCo and spending 12 years learning the business, from the details of the corporate world to becoming an executive. Second would be completing my MBA at Kellogg.

Best business decision: Working for multinational brands that are tactical and strategic at the same time.

Hardest lesson learned: There is no tomorrow, you have to show up every day and give it 100%.

Work week: Whatever it takes to get it done professionally at the highest level possible.

Exercise/workout: Playing golf and walking the course.

Best advice you ever got: In junior high school from a teacher: Whatever you tackle in life, whether science or collecting trash, be the best you can be.

What's your passion in business? I feel a deep responsibility to coach and guide others in this business to be successful—and seeing their enjoyment when they achieve the highest pinnacle of performance.

How do you balance life and work? I so enjoy this business. It has taught me so much about life, and I have met countless inspiring individuals over the years. When you do what you love, there is not much balancing to do.

Guilty pleasure: Practicing my golf swing. Golf came later to me in life, so I have much to learn. But as the consummate (want-to-be) athlete I enjoy the challenge of pursuing the ideal swing. Studying how world-class golfers practice their trade is an enjoyable pastime for me.

Favorite books: *Good to Great, Rethinking America*.

Favorite movie: I am a movie buff, so I have many movies. If I had to pick one, it would "The Sting." I never saw the ending coming.

What do most people not know about you? I love to salsa (dance, not eat) and love to do anything to please and enjoy my family.

Pet peeve: Being a victim in a problem. I don't mind talking about problems, but there has to be a solution that we put all our energies toward. When there were hiring issues there were those who threw up their hands in frustration and closed their restaurants, and then there were those who rallied together, leveraged their work families, and kept their businesses open. It is how you look at life, glass half-empty or half-full. I insist that it's full.

What did you want to be when you grew up? A teacher. In many ways I still am. Coaching and helping others hone their skill set gives me great satisfaction.

Last vacation: Road trip with my family to Lake Tahoe.

Person I'd most like to have lunch with: My wife. I don't spend enough time appreciating all she does for me and our family.

MANAGEMENT

Business philosophy: Positive mindset, because most issues have a solution. Surround yourself with the brightest and most capable team members. Lead the team by energizing them and providing solid guidance.

Management method or style: Collaborative, decisive, focus with the end in mind.

Greatest challenge: Raising a successful family so they find their own way and achieve happiness. And going through Covid while maintaining a team focus and managing the financials of the company.

How do others describe you? Generous with time, attention, and insights. Caring, empathetic, and not afraid to show emotions. Quickly getting to the root issue and offering great counsel. Great storyteller.

One thing I'm looking to do better: You must always challenge your leadership style to make it more effective for everyone.

How I give my team room to innovate and experiment: I am not one to micromanage. I am hands-off on managing the individual businesses. That leadership comes from our brand officers, who each fully manage their P&L, operations, pricing, marketing, and budgets.

How close are you to operations? I travel 45 weeks out of the year, mostly to visit our teams in our restaurants. Conversations with our brand leaders occur a couple of times a week. As a company we are very hands-on and have a support staff in Dallas who work for our restaurants in the field. And we all work for our family team members who serve our guests in restaurants.

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

Our business is constantly evolving, so to stay relevant we need to adjust our strategy. Local store marketing has taken on greater importance. How we connect with our communities, employees, and guests requires us to use different channels. Guest reviews, third-party delivery channels, catering offerings, and local marketing all play a role in our business.

What I need from vendors: Partnership to help us all improve quality, gain efficiencies, and wow our guests.

Have you changed your marketing strategy in response to the economy? How? Our business is constantly evolving, so to stay relevant we need to adjust our strategy. Local store marketing has taken on greater importance. How we connect with our communities, employees, and guests requires us to use different channels. Guest reviews, third-party delivery channels, catering offerings, and local marketing all play a role in our business.

How is social media affecting your business? We have invested in social media to help us grow our business, connect with our guests, and help us partner with our family team members.

How do you hire and fire? We strive to hire in the image of our culture and family values. We don't fire; people self-select when they cannot fit our cultural values or are not willing to be coachable.

How do you train and retain? Training is a continual process that never ends when you are working for Tasty. It is about growing people and maximizing their skills to a new level. It is our policy that 80% of our positions are filled with talent from within the organization. As for retaining people, when our culture is properly implemented and we have a continuing training process, individuals feel wanted, appreciated, and successful in their jobs (provided that the individual had a fit within the Tasty culture from the outset).

How do you deal with problem employees? We believe that there are no problem employees. It almost always is about fit and providing the tools for them to be successful.

Fastest way into my doghouse: Violate one of our cultural values of trust, transparency, and honesty.

COVID-19

How did Covid-19 affect your business? In a multitude of ways, from the way we need to manage people to the financial impact every decision we make has on the P&L.

How have you responded? By being more collaborative, more strategic, and thinking outside the box for solutions.

What changes do you think will be permanent? Employees' expectations will be permanent, and so are the ongoing costs. Guests will continue to demand new channels of access to our products and restaurants. Companies that are first to innovate and prevail in different channels of distribution will be the long-term winners.

BOTTOM LINE

Annual revenue: $400 million for Tasty Restaurant Group; $20 million for Dunkin' and Baskin-Robbins.

2023 goals: Improve guest satisfaction, achieve all our remodels and new developments on a timely basis, and improve employee satisfaction.

Growth meter: How do you measure your growth? Everything we do is measured through a metrics system that we agree on as a team to achieve. Therefore, we have metrics on every single goal or objective we set annually.

Vision meter: Where do you want to be in 5 years? 10 years? We have a strategic plan with a clear vision and mission including a 5-year financial plan. This plan is reviewed quarterly with our internal board of directors.

Do you have brands in different segments? Why/why not? We strategically chose to be in the beverages and snacks, burgers, pizza, chicken, and Mexican categories. We continue to look for opportunities to broaden our holdings into the sandwich category.

How is the economy in your regions affecting you, your employees, your customers? We operate in 22 states. Although there are different nuances by state and city and the political landscape continues to shift on a macro basis, these factors make every day a little more challenging to operate profitable businesses.

Are you experiencing economic growth in your market? At Dunkin' and Baskin we have had growth, however not to the levels we expect from our operating team. We have adjusted our leadership of the brand to address the potential we see. We contrast our brands against one another and see great opportunity for improvement in the performance of our Dunkin' business.

How do changes in the economy affect the way you do business? Over the past several years the financial impact from the economic challenges have affected every line item of our profit-and-loss statement, bar none.

How do you forecast for your business? We remain bullish on the QSR concepts, but also understand that today we must conduct business differently from how we did yesterday to endure the financial pressures the industry is under.

What are the best sources for capital expansion? Operating profits from existing operations. No bank will approach you if you are unable to consistently replicate the financial model.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We are a private equity–funded company.

What are you doing to take care of your employees? We are taking advantage of scholarship programs for employees, all district managers are involved in once-a-week recognition and posting of our employees on social media, continual development of skill sets through in-house training, Center for Creative Leadership attendance, and surveying employees to understand their needs and wants.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We must meet the minimum requirements the market expects. The culture within each restaurant and how you take care of people are perfect for these types of circumstances.

What laws and regulations are affecting your business and how are you dealing with them? They have enormous impact on the financial model of our businesses. My biggest concern at the moment is the new legislation passed in California that is an attempt to unionize the quick-service industry.

How do you reward/recognize top-performing employees? We acknowledge top performers in a variety of ways. Some examples: annual performance reviews, progression ladder of growth, investment in development (we send potential leaders to the Center for Creative Leadership), bonus programs, attendance at national conventions, publishing weekly rank and stack performance metrics, posting positive guest comments and calling out great service, team rally and dinners, top performers sharing their secrets to success with others, and we publish an in-house newsletter acknowledging top performance.

What kind of exit strategy do you have in place? At this time, my partners and I are exclusively focused on getting Tasty to our goal of $1 billion in annual revenues. ■

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> "I am changing my pay model to a higher salary and less commission-based."

In the Zone

Building her portfolio while helping fellow franchisees

Written by **SARA WYKES**

HELEN MARTIN

Multi-unit franchisee

Brand: **Stretch Zone**

Units: **19, with 4 more being purchased**

Age: **51**

Family: **Started as a licensee in 2014 and converted to a franchisee in 2016 when the franchise model was developed**

Years in current position: **8**

Helen Martin spent enough time working in corporate settings doing marketing, sales, and operations to come to a definite conclusion—especially in one job, where one of her tasks was to hand out severance packages. "From that point on, I wanted to control my own destiny," she says, and franchising was "a great stepping-stone to go out on one's own."

Martin, a former athlete, discovered Stretch Zone in 2014. The brand fits well with her awareness of the quality of life resulting from improved physical health. When she became involved, first as a licensee, then as a franchisee, Stretch Zone was not well known. But helping people was an idea that appealed to her. She also liked the idea of franchising a business model that "gives you a blueprint but doesn't tell you how to decorate—it allows you to be creative," she says.

Today, Martin is fully engaged in Stretch Zone. She has 19 locations, is buying 4 more, and helps other franchisees manage an additional 15. She also heads the brand's Franchise Advisory Council and is a member of its corporate board.

"I have so much Stretch Zone in my blood it would be hard to do another concept," she says. She also is determined to help others succeed with the brand, as others did for her. "Nothing makes me happier than to help someone open and learn they are number-one in sales the next month."

PERSONAL

First job: Worked at a local sporting goods store when I was 15.

Formative influences/events: I had some amazing mentors and bosses in my previous corporate life who shaped my professional self! My biggest takeaway: Always know your numbers.

Key accomplishments: Created a management company during Covid to keep my regionals working, and helping other absentee franchisees.

Biggest current challenge: Hiring.

Next big goal: Looking at 40 to 50 locations in 3 years.

First turning point in your career: Became the youngest buyer at Sports Authority, a company that Dick's Sporting Goods bought several years ago.

Best business decision: Taking a chance with Stretch Zone very early on—even before we had a website. I had demo cards and a Rolodex!

Hardest lesson learned: Never doubt your gut.

Exercise/workout: Seven days a week: 2 days with a personal trainer, 4 days of running, and 1 day of Peloton.

What's your passion in business? Developing and growing a team!

How do you balance life and work? I'm a yes person, so I need to do better at creating more of a work/life balance. Currently, I'm putting more infrastructure in place to help with this because I don't say no very often!

Guilty pleasure: Gummy Bears.

Favorite book: *Reminiscences of a Stock Operator* by Edwin Lefèvre.

Favorite movie: "Fried Green Tomatoes."

What did you want to be when you grew up? Attorney.

Person I'd most like to have lunch with: Any of the titans of industry—J.P. Morgan, Rockefeller, Carnegie, or Walt Disney. The ability to create an industry is remarkable, and I would love to pick their brains.

MANAGEMENT

Business philosophy: When there is an opportunity knocking, you have to answer!

Management method or style: Set the strategy and let my team implement. Trust, but verify!

Greatest challenge: Understanding Millennial workforce priorities.

How do others describe you? Driven, quick-witted, persuasive, loyal, and fair.

One thing I'm looking to do better: Work/life balance.

How I give my team room to innovate and experiment: We have very open dialogue about opportunities and current situations. I always try to pose things as a question to solicit their feedback.

How close are you to operations? Heavily involved day-to-day.

What are the two most important things you rely on from your franchisor? Innovation and brand name growth.

What I need from vendors: Communication and timelines.

Have you changed your marketing strategy in response to the economy? How? No, our first stretch has always been free, and we will continue that. However, during Covid self-care became very prevalent, so we have woven that into our messaging a bit more.

How is social media affecting your business? It is the largest producer of leads for us.

How do you hire and fire? I have invested in quite a few software options for hiring. When it comes to firing, I am of the three-strikes rule mindset. We warn, coach, counsel, and terminate on the third strike.

How do you train and retain? Create a great culture and a growth path for upward mobility.

How do you deal with problem employees? I always try to speak with them and find out where the breakdown is. I ask a lot of questions to find out if it can be fixed or how they want to fix it.

Fastest way into my doghouse: Not reading emails and not following directions!

COVID-19

How did Covid-19 affect your business? Rocked my world as it did for many. Some of my locations were closed for 4 weeks, some were closed from 6 to 8 weeks, depending on the municipality.

How have you responded? I definitely review leases differently and read the fine print about national disasters. I was very lucky—most of my landlords were great.

BOTTOM LINE

Annual revenue: $6 million to $7 million (est'd).

2023 goals: Increase profitability.

Growth meter: How do you measure your growth? Comp growth year over year for each location. I am always looking for double-digit growth.

Vision meter: Where do you want to be in 5 years? 10 years? My goal is 40 to 50 studios within the next 3 years.

Do you have brands in different segments? Why/why not? Not at this time. I am so homed in with Stretch Zone as an ambassador of the brand that I haven't really thought about others.

How is the economy in your region(s) affecting you, your employees, your customers? Employees need to make more. Rents and wages are not keeping up with the price increases on my side.

Are you experiencing economic growth in your market? I have studios located mostly in Florida, with some in Texas and North Carolina. Those states are growing because they are very pro-business.

How do changes in the economy affect the way you do business? It makes me more conservative with cash.

How do you forecast for your business? Historical sales, marketing activities, and staffing are all part of the equation each month.

What are the best sources for capital expansion? I have been self-funded for a significant time, but recently started with Apple Pay to help me acquire more stores.

Experience with private equity, local banks, national banks, other institutions? Why/why not? Our model is not asset-intensive, so traditional banks are difficult. Traditional lending institutions want freezers, machines, pizza ovens, etc.

What are you doing to take care of your employees? Try to do fun team-building activities, recognition, and cover 75% of their health care.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? I am changing my pay model to a higher salary and less commission-based. If I don't make this change, I will not be able to attract top talent. Maintaining the quality of our service is crucial.

What laws and regulations are affecting your business, and how are you dealing with them? None at the moment.

How do you reward/recognize top-performing employees? Appreciation, brand swag, and money.

What kind of exit strategy do you have in place? I have built my management company to run each of my studios, so my goal is to sell all my studios with the management company in place. This turns it into a turnkey operation for an equity group later on. Also, my vision is to allow my regional team to take over the management company once I am no longer in a day-to-day role. ■

"I aim to work closely with people until they become better at things than I am."

Focus on the Future

74 McAlister's + 8 Moe's = $120 million

Written by **SARA WYKES**

DALE MULVEY

Multi-unit franchisee, Focus Brands

Units: **74 McAlister's Deli, 8 Moe's Southwest Grill**

Age: **62**

Family: **Two sons, Daniel 30, Jacob 34**

Years in franchising: **40**

Years in current position: **14**

Dale Mulvey was nearing 50 when he signed on for his first McAlister's Deli franchise location. The decades of business experience he brought to his new endeavor may explain why he was named the brand's Franchisee of the Year just a year after opening that inaugural unit. Fourteen years later, Mulvey operates 74 McAlister's and 8 Moe's Southwest Grills.

That portfolio was nowhere in his dreams when he headed off to college in Indiana. But Mulvey quickly realized that his natural abilities and the mentorship of his first employers at the mom-and-pop bar/restaurant where he found part-time work were a much better career fit than the future as a lawyer he had planned. Working in a different sort of service industry just "clicked for me," he says. "I instinctively knew some things about costs, prices, and marketing."

His next business education came as a management trainee for a large local chain of pizza operators whose owners were innovators—the first to offer personal-size pizzas at lunch and to offer those appetite-enhancing breadsticks ready on every table for patrons to enjoy as soon as they sat down. Mulvey progressed quickly, learning the basics and developing skills as a troubleshooter and then as a field marketer. He returned to the chain's main office for a time to gain from the franchisor point of view. All of that experience, he said, "gave me a strong base to think about things."

Covid tested Mulvey, as it did everyone. But he credits his father, grandfathers, and his very first job shoveling snow from neighbors' driveways and sidewalks for building the unflagging work ethic, professionalism, and entrepreneurial spirit still evident in all he does.

PERSONAL

First job: My first job was actually working for myself as a young boy. I'd do a variety of handyman jobs like shoveling snow, raking leaves, gardening, etc., for family friends. That entrepreneurial spirit and drive was instilled in me at a young age.

Formative influences/events: I was fortunate enough to have role models in the form of my father and grandfathers. Each excelled in their career—from businessman to sheriff to professor. They would take me into work with them and I got to experience and understand the power and value of having a strong work ethic and how they balanced work and home life.

Key accomplishments: Being named franchisee of the year by McAlister's Deli in my first year of business was a major accomplishment, but what stands out to me even more was how my team managed through the Covid-19 pandemic. Their work was

My experience in working my way up to an ownership opportunity and all the lessons learned from that journey. From there, I worked my way up to a management position and eventually bought the business. I learned a lot from this experience, gained a lot of mentors, and solidified for me that entrepreneurship was where I wanted to take my career.

nothing short of remarkable. They stepped up, supported each other, the community, and the future of the business. This has been, by far, my proudest moment.

Biggest current challenge: We're in the midst of experiencing a changing work environment. The biggest challenge is understanding how to meet the expectations of a new workforce while supporting the existing, seasoned team members who are the core of the business. It's a delicate balance that certainly comes with trial and error.

Next big goal: We have a variety of growth goals with McAlister's Deli and Moe's Southwest Grill, but my next big goal is focused on our people. We know our team is our greatest asset, so amid today's labor challenges we want to make sure they are supported as we build our future.

First turning point in your career: My experience in working my way up to an ownership opportunity and all the lessons learned from that journey. I worked at a bar/restaurant at Indiana University checking IDs and was recruited to another business. From there, I worked my way up to a management position and eventually bought the business. I learned a lot from this experience, gained a lot of mentors, and solidified for me that entrepreneurship was where I wanted to take my career.

Best business decision: Entering into McAlister's Deli in 2008. I was looking for an entrepreneurial opportunity where I could grow my business portfolio. McAlister's presented a great opportunity with the potential to scale quickly.

Work week: This is the beauty of entrepreneurship—the work week is anything but typical. I do try to travel to the markets every other week to meet with our team, boots on the ground. In the off-travel weeks, I'm focused on back-office work. Above all, I try to be flexible and allow for family time.

Best advice you ever got: Be as honest and straightforward as you can. Hard work matters, and persistence means more than anything else.

How do you balance life and work? As an established entrepreneur, I truly get to spend a lot of time with my family, especially my young grandchildren. I aim to be opportunistic with the time I do have with my family and manage my work around them.

Guilty pleasure: While it might not sound adventurous, my guilty pleasure is spending quality time with my family, whether at home, dinners, traveling, hiking, etc. As long as my family is around, I'm enjoying myself.

Favorite books: *The Little Prince, Jonathan Livingston Seagull, Oh, The Places You'll Go!*

What did you want to be when you grew up? A lawyer, but I quickly realized that college didn't interest me as much as working right away and establishing a business career.

MANAGEMENT

Management method or style: I aim to work closely with people until they become better at things than I am. I then try to give them the autonomy to make decisions. Sure, I'm still there to monitor, challenge, and support them, but I'm empowering them and trusting them to act.

How do others describe you? Hard worker, fair-minded, good listener, and doesn't hesitate to make decisions when it's decision-making time.

One thing I'm looking to do better: Be more mindful. It is so easy to get "too busy" and let things pass you by. I'm trying to be more intentional about being in the moment and taking more time to take care of myself.

What are the two most important things you rely on from your franchisor? Maintaining a strong brand identity and growing brand awareness.

What I need from vendors: Consistency, reliability, and transparency.

Have you changed your marketing strategy in response to the economy? How? No. If anything we've marketed more aggressively. We operated under the assumption that at some point, there will be some return to normalcy—and we wanted to remain top of mind. If anything, it is harder to determine where to spend dollars as there are more options and clutter than ever before.

How do you hire and fire? How do you train and retain? We've been very lucky to have an executive team that's been with us for more than 20 years. Once you understand that your team is your greatest asset, invest in them, grow them into leadership positions. Having these people on your team helps breed other employees who are just as driven and loyal. Culture breeds culture.

COVID-19

How did Covid-19 affect your business? The beginning of 2020 was challenging, one of the most difficult times in my career. In March 2020, we had to furlough 1,700 people. We had 300-plus people salaried and full-time hourly, and we kept them and did not cut salaries. That core group stepped up, and I can't say enough about how much they did and how they adapted to support the company. We still have most of those 300 people today. Since March 2020, we have seen great growth in our business and have since experienced some of the best AUVs we have ever had.

How have you responded? Initially our response was just to communicate effectively. We had weekly calls with all our team members, where every question and comment was on the table. We had to be able to do more with less and rely on each other more than ever before. We also committed to meet our customers wherever and however they chose, whether dine-in, carryout, app-based, catering, or third-party delivery.

What changes do you think will be permanent? Doing more with less and meeting the customer how and where they choose as their choices expand. This will require us to be nimble and always have an eye on the future.

BOTTOM LINE

Annual revenue: $120 million.

2023 goal: $135 million.

Growth meter: How do you measure your growth? Average unit volume.

Vision meter: Where do you want to be in 5 years? 10 years? We will steadily grow our McAlister's Deli business while also expanding Moe's Southwest Grill. We will become more real estate-oriented and look for additional opportunities as the market presents them.

Do you have brands in different segments? Why/why not? Yes. We have great diversity of talents on our team, and diversity of brands allows us to maximize those talents.

How is the economy in your regions affecting you, your employees, your customers? Sales continue to be strong. However, team-building and maintenance continue to be challenging.

Are you experiencing economic growth in your market? Yes.

How do changes in the economy affect the way you do business? Changes in the economy primarily affect the way we do business as it relates to acquisitions and new store growth.

How do you forecast for your business? We forecast annually, based on the previous year and current trends.

What are the best sources for capital expansion? Having trusted partners.

Experience with private equity, local banks, national banks, other institutions? Why/why not? Yes. We have had good luck with private equity and regional banks.

What are you doing to take care of your employees? We try to listen closely, pay fairly, communicate fully, and add some fun where we can.

How do you reward/recognize top-performing employees? We reward outstanding employees in different ways including bonuses, awards, and trips.

What kind of exit strategy do you have in place? I have two sons in this business and a strong, young executive team. We are still very future-based. ■

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Kal Gullapalli

"Diversifying my franchise portfolio with Marco's Pizza has really helped my business thrive."

Trading Wall Street for Franchising

Kal Gullapalli is building a new kind of portfolio

Written by **SARA WYKES**

KAL GULLAPALLI
CEO

Company: **MPZ Holdings**

Units: **42 Marco's Pizza, 46 European Wax Center, 2 VIO Med Spa**

Age: **40**

Family: **Wife Krishna, son Narayan, daughter Anika**

Years in franchising: **6**

Years in current position: **2**

Kal Gullapalli spent 7 years on Wall Street before the entrepreneurship bug bit him in 2016. Now he's on a fast track in franchising, running 42 Marco's Pizza stores and aiming for 100. He also operates 46 European Wax Centers and 2 VIO Med Spas.

"I'm spending a lot of time learning from others," he says. "What are the 15- to 20-unit folks doing now? What are the 100-unit folks doing?" As he hit each milestone, Gullapalli has learned that each comes with its own challenges. "You can get away with a lot at five... and nothing at 100," he says.

Whether attending conferences, becoming involved in franchise councils, or simply asking people in franchising to share their best practices, Gullapalli is constantly working to learn more about building a successful franchise organization—and has learned more than a few lessons on the way.

Expanding rapidly, for instance, taught him that "sometimes you think you can scale more quickly than you should." And when problems inevitably arise, he's an advocate of a quick response. "Once we agree something is a mistake, we look for solutions right away," he says.

As he builds toward his goal of 100 Marco's locations, Gullapalli has realized he'll have to build a flexible training team and larger support infrastructure to open new locations and to coach employees in existing stores. Creating that team will be a definite requirement for reaching his goal.

None of this deters him on his growth path, however. "I've always wanted to be part of growing a very large organization," he says. "I like the challenge."

PERSONAL

First job: Insider at Little Caesars.

Formative influences/events: Playing sports from an early age gave me the ability to work in a team environment. My parents instilled in me that having a strong work ethic is vital to success in our professional lives. My first job at Little Caesars gave me the confidence that if I could lead a team at the age of 17, I could probably further hone my skills and lead larger teams.

Key accomplishments: I've sold 5 different companies in 6 years. Two kids!

Biggest current challenge: Labor. Finding qualified team members is challenging in an environment where unemployment is at 3.7%. However, Marco's "Passion for Primo" initiative helps us recruit and retain talent in creative ways. We'll continue to lean into this as labor remains an ongoing challenge in the restaurant/QSR industry.

Next big goal: To have 100 profitable Marco's Pizza restaurants.

Best business decision: Getting into franchising. I realized in my early 30s that I like getting a playbook and following it. In franchising, it's easier to scale quickly.

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I offer competitive pay and work to empower and motivate my team. I'm a big believer in letting your team know how much you appreciate their work and showing them their impact. This, in turn, will result in increased motivation and energy.

Work week: I'm very passionate about what I do, so for me, it's not really viewed as work. Because of that, I put a lot of hours in. I'm not sure there is a day that I don't do something. So I do work 7 days a week, but I'm starting to get a little more balance in my life.

Exercise/workout: I work out anywhere from 2 to 5 days a week. It helps me get in the right mindset. There are times when I have not placed enough emphasis here, but I'm working hard to do so.

Best advice you ever got: From my immigrant parents: "This is the best country in the world. If you work hard, you can achieve whatever you want."

How do you balance life and work? I have not been great at this in the past. I put way more emphasis on work in my 20s and 30s. But in my 40s, and with my wife's guidance, I'm becoming more balanced. It's still a work in process.

Guilty pleasure: I enjoy eating great foods, so my family goes out to restaurants whenever we have the chance.

What did you want to be when you grew up? Professional basketball player. Until about 7th grade, this was my dream. But in 8th grade, I realized I was not as passionate about the sport as some of my peers.

Last vacation: Costa Rica with my family for my 40th birthday.

MANAGEMENT

Business philosophy: Treat your team well, pay them a fair wage, and provide clear expectations.

How do others describe you? Quiet, but a great motivator.

One thing I'm looking to do better: Getting every location to look, feel, and operate the exact same way.

How close are you to operations? Given our size, I do not get to sites as often as I would like. But I am on weekly ops call with our senior team, a monthly virtual call with our managers, and have quarterly in-person meetings with our managers.

What are the two most important things you rely on from your franchisor? To make decisions that help franchisees be more profitable, and to provide ops support when needed.

What I need from vendors: To be timely and communicative.

How do you hire and fire? I tend to hire slow and fire fast. If I'm hiring or firing, I'm looking to see if the team member has heart and a desire to work hard. If they have both of those traits, I know they will align with our core values.

How do you deal with problem employees? We are very transparent and communicative in addressing the problem and providing the resources needed to resolve and find a solution. We give them one or two chances to address it, and if they don't adjust to tweak their methods they will be gone.

Fastest way into my doghouse: To not show up, or to give up before you try.

COVID-19

How did Covid-19 affect your business? As an owner of several fitness locations and health and wellness retail centers, I saw the nonfood service industry completely shut down. This jarring realization triggered me to begin looking at the franchise brands that were thriving. This led me to Marco's Pizza, which was experiencing double-digit, record-breaking sales growth.

How have you responded? Diversifying my franchise portfolio with Marco's Pizza has really helped my business thrive.

What changes do you think will be permanent? Consumers will continue to expect restaurants to accommodate their demand for both delivery and carryout options. I expect the convenience of curbside carryout and pickup windows to continue because many people don't want to leave the comfort of their own vehicle.

BOTTOM LINE

Annual revenue: $35 million in 2022.

2023 goals: $45 million.

Growth meter: How do you measure your growth? Our main focus is EBITDA, or profitability. Without positive EBITDA, we can't grow.

Vision meter: Where do you want to be in 5 years? I would like to have 100 profitable Marco's and then talk about getting to 200!

Do you have brands in different segments? Why/why not? Yes. During Covid, I learned that diversification was really important. Some sectors were really affected during the shutdowns and others were not. Pizza, for example, was a beneficiary.

How do changes in the economy affect the way you do business? Changes in the economy significantly affect our business. We are directly tied to the consumer, so if consumers have higher discretionary incomes, we do better.

How do you forecast for your business? We do a full budget by store and then forecast out the next 3 years. Included in that will be our assumptions for sales growth, new store development, and acquisitions.

What are the best sources for capital expansion? Capital expansion can come through equity and debt. Luckily, we have been able to secure both through various investors, but also by working with banks that are supportive of long-term growth.

What are you doing to take care of your employees? I offer competitive pay and work to empower and motivate my team. I'm a big believer in letting your team know how much you appreciate their work and showing them their impact. This, in turn, will result in increased motivation and energy.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? Like many businesses, we see a trend of increased costs in the economy, including employee wages. I currently offer competitive pay to make sure we are hiring top talent who are driven to grow in their roles. To manage these increased expenses, our team works tirelessly to find ways to increase profits and maintain a smaller group of employees. ■

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> "As leaders, we need to give credit where credit is due."

"It's Just Coffee"

Scooter's Coffee's largest franchisee shoots for 100

Written by **SARA WYKES**

TRACY BOUWENS
President

Company: **Freedom Enterprises**

Units: **59 Scooter's Coffee**

Age: **53**

Family: **Husband Shawn, 3 children, 6 grandchildren**

Years in franchising: **18**

Years in current position: **8**

After nearly 20 years of Scooter's Coffee franchising and becoming the brand's largest franchisee, Tracy Bouwens is not done growing. She has 59 locations up and operating and says she'd like to add at least 20 more by the end of 2026 and eventually hit the 100-unit mark.

"Growth is healthy," says Bouwens. Her company, Freedom Enterprises, added 16 locations in 2022, an expansion she says resulted from lessons learned during Covid. "It was incredibly challenging, but out of it we learned to be even more adaptable. We were prepared to move when we needed."

A few years ago, adding 16 units in a single year would have been "painful," she says. Today, however, the challenges that come with growth no longer surprise her because, she says, "We are learning and growing and continuing to develop."

When we last spoke with Bouwens in Q4 2020, she and her husband, Shawn, were partners in both business and life, but he is now retired from franchising.

"He is the greatest," she says of the man who first retired after a career as an offensive lineman with the Detroit Lions. "He's always been willing to do whatever I needed him to do." She especially enjoys "having someone at home to make me dinner!"

Bouwens, a youthful grandmother of six, is working to develop people to take over some of her roles. "I'm always strategizing that way," she says—in part because it gives her great joy to see her people develop. That's in addition to her other source of happiness: seeing the positive impact her Scooter's locations can have on the communities they serve.

PERSONAL

First job: Washing dishes at 14 in a small-town restaurant.

Formative influences/events: I grew up with an adventurous father who was also an entrepreneur. Watching and learning from him, I knew that no matter what profession I entered, I wanted to own my own business. As I researched the specialty coffee business before opening my first Scooter's, I ran all of my research data by my dad. His opinion and assessment were invaluable to me as my husband and I were learning to navigate through what a successful business would look like.

Key accomplishments: Married for more than 30 years. Successfully raised three amazing children. Becoming the largest Scooter's Coffee franchisee with 59 locations. Serving on the board of YouCanFreeUs, an international human rights organization fighting modern slavery around the world through advocacy, rescue, and rehabilitation.

Biggest current challenge: As most in the restaurant or QSR industry would probably say, staffing. But our key focus is to change our mindset from what leadership looked like pre-Covid and find the way to lead our teams through this new era, not to just survive but to set up our leaders to thrive! Our primary job is to be problem solvers. Rather than focusing on issues, we focus on solutions to those issues. I can't control everything, so our goal is to focus on what we can control and move forward in that way.

Next big goal: To open or acquire a minimum of 20 new locations by the end of 2026. Ultimately, I think it would be awesome to achieve the 100-location mile marker!

First turning point in your career: When we first became a Scooter's Coffee franchisee, we owned a single location in Omaha. Our first turning point was in 2005, when we purchased the Kansas City market and became area representatives for the Scooter's Coffee brand.

Best business decision: Becoming a franchisee was an excellent path for us to become business owners while having the structure, systems, and processes that come with being a part of a franchise system.

Hardest lesson learned: Cash flow! As we began to grow rapidly in the past 10 years, learning to accommodate existing store operations along with allowing for the cash reserves needed to add new stores was a huge lesson I needed to learn. I am so thankful to have been able to develop processes for managing cash within our company that allow us to continue advancing, while still being a financially responsible company.

Work week: Mostly Monday through Friday. I rise early (after all, we are in the coffee business), but I end my day by 5 or 6 p.m.

Exercise/workout: I love my Peloton bike. Recreationally we love to play pickleball and take long walks at our cabin on Table Rock Lake.

Best advice you ever got: It's just coffee. So often it can be easy to get overly worked up about small issues as they arise. If we remember that, at the end of the day, we get to put a smile on people's faces as we serve them their morning coffee the rest of the stuff will work itself out and we can tackle one issue at a time.

What's your passion in business? My passion continues to be the people part of

For me, the greatest challenge is knowing the right timing to add new positions to our growing organization and still maintain a reasonable labor budget. I'm not afraid of working hard or carrying a heavy load, so sometimes I can wait too long before adding that next position.

our business. I am so blessed to have an amazing group of individuals who work for us. Whether they are with us for a short time or for more than a decade, I absolutely love seeing their skill sets develop as they grow with our company. Seeing how those developing skills affect them in their personal lives is an added bonus.

How do you balance life and work? Finding work/life balance was very hard for me in the early years. I have discovered that I am far better and accomplish more when I keep that balance in check in my life. The way I am able to do that is to be very organized with my time and efficient in how we get things done. I have a notebook by my side throughout each day to write down thoughts as I go. Then when my day ends, I don't find my mind racing with loose thoughts flowing in every direction. The notebook will be there tomorrow.

Guilty pleasure: I truly love trying various wines, particularly a good Sauvignon blanc from France or New Zealand.

Favorite book: I really enjoy reading historical fiction books because they bring history alive in fun ways, and we have so much we can learn from history. I also enjoy reading leadership books so I can continue to grow in my leadership skills. My bookshelves are overflowing with both types of books. However, every day I take time to read from the Book of Proverbs in the Bible. I find it very helpful to meditate on and absorb the wisdom found in that book.

Favorite movie: "The Notebook." I am a sap for a good romantic movie.

What do most people not know about you? I have a single tattoo on the top of my right foot that serves as a daily reminder that I need to accomplish my goal of writing my first book.

Pet peeve: Poor communication skills or lack of communication.

What did you want to be when you grew up? A surgeon.

Last vacation: Turks and Caicos in October 2022. We try to be intentional about vacationing three or four times a year. The rest and relaxation allow me to slow down and really get back to creative business strategy.

Person I'd most like to have lunch with: Mother Teresa. She spent more than 50 years of her life comforting the poor, the dying, and the unwanted. Her servant heart and affinity for philanthropy are incredibly admirable. She left a positive impact on this world, and I believe that is something we should all strive to do during the short time we are here on Earth.

MANAGEMENT

Business philosophy: Operating our business (each individual location) with excellence on every level while constantly assessing the ways that we, as leaders, can grow ourselves individually, which will in turn grow the organization as a whole.

Management method or style: Coaching and empowerment. By myself I can accomplish only a little. With each leader we get to coach and empower we are able to multiply our impact and accomplish far more than ever imagined.

Greatest challenge: For me, the greatest challenge is knowing the right timing to add new positions to our growing organization and still maintain a reasonable labor budget. I'm not afraid of working hard or carrying a heavy load, so sometimes I can wait too long before adding that next position. As we grow and I strive to maintain work/life balance, I find myself working ahead on those critical positions more strategically.

How do others describe you? A good friend recently described me as "the Christian version of Beth Dutton" from the "Yellowstone" series. (I hope that is a com-

pliment, ha-ha!) I think those who know me the best would say that I am kind and generous and I care deeply about people. At the same time, I don't wait for others to solve my problems or grow my business. I own the responsibility and will move mountains to achieve my goals.

One thing I'm looking to do better: I have always admired the former CEO of Costco, Jim Sinegal. His philosophy was to always be a company that is on a first-name-basis with everyone. When he visited Costco locations around the country, he wanted to say hello and engage his employees because he truly liked them. As we continue to grow as a company and our employee counts increase, I want to continue to challenge myself to really know the managers in each of our stores and their teams as much as possible. There is so much value in having a company that truly cares about each of the individuals working for them.

How I give my team room to innovate and experiment: I try very hard to be quick to listen and slow to speak, allowing my team to share their ideas and to contemplate those ideas. As leaders, we need to give credit where credit is due. The best ideas will likely come from leaders on my team who are doing the heavy lifting day in and day out. I'm simply here to be a sounding board for those ideas.

How close are you to operations? I am very close to my top leaders in operations. Following John Maxwell's leadership training, I spend 80% of my time with the top 20% of my leaders. While I am not involved any more in the daily operations of each individual location, I am very tuned in to our upper management team. Because I am so passionate about seeing individuals grow in their skill sets, I make it a weekly priority to spend time with them to listen, strategize, and coach them. I do not like to micromanage people. However, I thoroughly enjoy seeing them each have individual success in their roles. I want to be their biggest cheerleader, and when they make a mistake my job is to pick them up and help them move forward as they learn from those mistakes.

What are the most important things you rely on from your franchisor? Continuing innovation in product and technology. Implementing overall marketing strategies and trends that are up to date and relevant for our industry. Protecting the quality of the brand on a national level.

What I need from vendors: Dependability, consistency, communication, and competitive pricing.

Have you changed your marketing strategy in response to the economy? How? With the rising cost of living, our customers are making choices on where to spend their money. Our focus is to continue to provide an amazing experience for each of our customers and to focus on customer appreciation events throughout our locations. In addition, I believe it is more important than ever to give back to the communities we are privileged to serve. There are times, such as these, when it is more important to focus our energies on how we can have a positive impact on those around us. The rest will take care of itself.

How is social media affecting your business? There are pros and cons to social media. It is a fantastic avenue for marketing and reaching our target markets, yet it also can be a sounding board for a less-than-stellar customer experience. I believe that if we use social media correctly it provides us with the opportunity to watch for ways we can improve our operations every day and effectively communicate with our customer base.

How do you hire and fire? We spend a lot of time and energy (and dollars) on recruiting and screening for team members for our growing company. We are looking for people with great personalities as well as stellar character and integrity. We can train for the rest of the skills we need. Our goal is to hire, train, and develop well so that we fire infrequently!

How do you train and retain? We have been working for years to develop and refine our training process, particularly for our leadership team. We are not perfect and will continue to refine those processes as we grow. We truly believe that if we equip and empower our team and create a positive culture and environment for people to work in, our retention rates will continue to exceed industry standards.

How do you deal with problem employees? Part of having a culture of training and developing our employees is providing effective avenues for constructive feedback. Our goal is to be consistent throughout all of our locations in providing that feedback and simultaneously providing a clear growth and career path for all interested employees.

Fastest way into my doghouse: Lying, lack of integrity, trustworthiness. I just don't have time for that, so I move on quickly when I see those characteristics come out of an individual or business.

Bad Ass Coffee of Hawaii, the hottest coffee concept in the country is expanding nationally with exclusive multi-unit territories. With a brand name that drives customers in the door, and a full beverage/food menu that brings them back - time and time again - this experiential brand stands out in a crowded coffee shop segment. Prime markets available but closing fast.

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$1,231,788 TOP 25% AVERAGE NET SALES*

*Source: 2022 Bad Ass Coffee of Hawaii Franchise Disclosure Document (FDD)
**Comparison of Bad Ass Coffee of Hawaii Franchise Disclosure Documents for 2020, 2021 & 2022

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I want to have successfully built a team of individuals who are able to work together cohesively to bring more success to our business than I was ever capable of doing myself. I believe we are more than well on our way to that goal. We have some really strong, key individuals who make up the foundation of our company.

COVID-19

How did Covid-19 affect your business? Covid-19 provided some of the greatest challenges of my business career, but I feel it also trained and equipped us, as leaders, to be prepared to move quickly in an ever-changing environment. It most certainly refined our problem-solving skills.

How have you responded? Initially, we had to adapt and change quickly, sometimes by the hour. I always want to be a company that can move quickly and adapt when circumstances require it. On this side of the pandemic, we are finding ourselves adjusting once again. We are in the business of coffee, but really it is the business of relationships with people. During Covid, we were not able to gather as often as we were used to doing. We now find ourselves having to be intentional about getting into the habit of face-to-face connections again. I believe we are wired to be in relationships with people, and I am absolutely loving reconnecting in person. It is such an important part of our company culture.

What changes do you think will be permanent? I think the staffing challenges that have arisen since the beginning of Covid are here for a while, at minimum. I do believe that our world is evolving and changing at a faster pace than ever before in history, and therefore we must be willing and able to adapt as well. If we are going to survive as business leaders, we have to be willing to constantly self-reflect and adapt our leadership skills to that changing environment. If we are trying to lead like we were leading before Covid, we will miss the mark in this new era we are all experiencing.

BOTTOM LINE

Annual revenue: $44 million.

2023 goals: 6 new locations, double-digit comps over 2022 in existing locations, and exceed industry standards in all KPIs.

Growth meter: How do you measure your growth? Growth can truly be measured by the personal and professional growth achieved by each of the leaders in our company. At the end of the day, I want us to be a company that focuses on developing and training the individuals on our team. If they are individually successful and achieve new heights, we will be successful as a group!

Vision meter: Where do you want to be in 5 years? 10 years? I want to have successfully built a team of individuals who are able to work together cohesively to bring more success to our business than I was ever capable of doing myself. I believe we are more than well on our way to that goal. We have some really strong, key individuals who make up the foundation of our company. In 10 years, I see myself slowing down just a bit personally, but not as a company! I don't think I am capable of slipping off into the sunset, aka retirement. I enjoy staying busy and working, and I'm confident that my team will help pull the wagon so my husband and I can spend more time traveling the world together. Our travel bucket list is long!

Do you have brands in different segments? Why/why not? Currently, no. I have weighed the pros and cons of diversifying into other brands. I know the coffee business inside and out. I know what it can and will do in a strong economy and a struggling economy. I know what it takes to succeed, and for that reason I have chosen at this time to put my energy into growing our Scooter's Coffee business and dominating in the markets where we operate.

Are you experiencing economic growth in your market? In the past 2 to 3 years we have had really strong growth. While we are feeling the impact of the current economy, we are still seeing daily, weekly, and monthly positive growth in our company.

How do changes in the economy affect the way you do business? It honestly doesn't affect how we do business in our current locations. Our focus remains consistent, which is to provide an amazing experience for our customers consistently in each location. As far as new business development, an economic downturn can sometimes be the opportunity for us to capitalize on growth when others are slowing down or even pushing pause. I believe in our brand and the model of Scooter's Coffee, so we intend to continue to press forward on all fronts.

How do you forecast for your business? With Covid producing some unique times in our world, and now with the economy slowing down, I forecast our sales for 2023 very conservatively. I feel confident that we will meet or exceed the forecasts I have in place, which provides confidence in our goals for the next year or two. Anything above my forecasts will just allow for bonus opportunities.

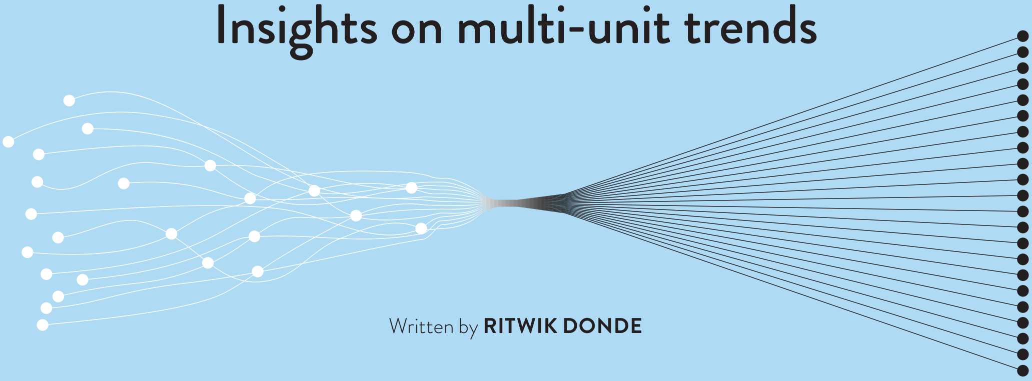
What are the best sources for capital expansion? For us, it is through partnership with our local bank, which we have had a long-term relationship with.

Experience with private equity, local banks, national banks, other institutions? Why/why not? We have a really strong partnership with our local bank. Mutual trust allows us to work together on future growth plans, and we intend to continue in this relationship for the foreseeable future.

How are you handling rising employee costs (payroll, minimum wage, healthcare, etc.)? We have a pretty competitive compensation and benefits package for our employees that includes salary, tips, bonuses, health care, dental/vision, short-term disability, life insurance, situational insurance, tuition reimbursement, and free coffee. However, we are constantly assessing and reviewing that package to remain competitive in our industry, and we anticipate additional benefits will be rolled out in 2023. On top of that, offering growth and development opportunities is a big part of what we offer our employees who demonstrate strength, leadership, and a willingness to learn. ■

MEGA TRENDS

Insights on multi-unit trends



Written by **RITWIK DONDE**

The business of franchising is ever growing, with ever more franchisees shifting to multi-unit franchise ownership. As the U.S. economy emerges from the impacts of the Covid-19 pandemic, multi-unit operators have been thrown into the spotlight as franchise development shifted to focusing on experienced operators over onboarding new talent. With talks of recession, efforts on new ownership are likely to shift back again, as the economic slowdown creates new swathes of franchise candidates.

FRANdata has been producing the Mega 99 rankings for close to 20 years, leveraging our comprehensive database of franchisee information to provide thoughtful analysis and insights on the state of franchising. In 2022 we saw multi-unit ownership continue to gain traction, primarily because of the following factors.

Franchisor consolidations and the "platform-ification" of franchise brands. Recently, we've seen the emergence and rapid growth of platform companies in franchising, with existing platform companies acquiring brands for further diversification and new platforms emerging from private equity investments and acquisitions. Both these trends have influenced multi-unit ownership, as franchisors continued to cross-sell their franchise brands to existing operators of one of their portfolio concepts. For example, in January 2022 the Tasty Restaurant Group expanded its brand portfolio, which already included Yum Brands concepts Taco Bell and Pizza Hut, by acquiring 90 KFC locations. (Editor: See the profile of Tasty's CEO Robert Rodriguez in this issue.) Similarly, franchisees such as Home Run Restaurant Group or Ocathain Partners grew their base in the Inspire Brands portfolio by signing up with Rusty Tacos.

Emerging brands preferred growing through multi-unit operators. Emerging brands also are preferring experience over youth. Since the pandemic arrived, several emerging franchise brands have opted to take advantage of existing franchisees' diversification plans, resulting in the growth of their multi-unit operator base. For instance, Mici Handcrafted Italian signed a 30-unit deal in April 2022 with longtime Black Bear Diner and Smashburger franchisee Lucas Farnham. Another example is Dave's Hot Chicken signing multiple deals (totaling close to 80 locations) with franchisees of brands including Firehouse Subs, Qdoba, and Jersey Mike's.

More interest from PE investors. Private equity investors of all stripes continue to like what they are seeing in franchising. The search for opportunities to invest with a competitive return in mind has accelerated a buying spree for stakes in multi-unit franchisee operations as never before. 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 they are striking deals with strong operators hungry to expand. For example, in the first half of 2022, ElmCreek Partners, a Dallas-based private investment firm, sponsored the acquisition and aggregation of multiple Urban Air Adventure Park franchisees in partnership with existing franchisees.

Last year, however, was not without its share of issues that plagued multi-unit ownership. Supply chain issues, labor shortages, and rising interest rates all have affected franchisees' ability to grow in the past 18 months. However, economies of scale and previous experience in dealing with economic hurdles helped many larger operators overcome these challenges.

Looking ahead, experts are forecasting stronger headwinds in the form of a looming recession. This could allow further growth for multi-unit operators as larger multi-unit operators continue their buying sprees. However, during such times, many multi-unit operators choose to invest in existing unit transactions, buying up existing locations and smaller franchisees to a much greater extent, thus reducing their appetite (and capacity) for new unit growth.

Ritwik Donde is director of research at FRANdata.

2023
MEGA 99 RANKINGS

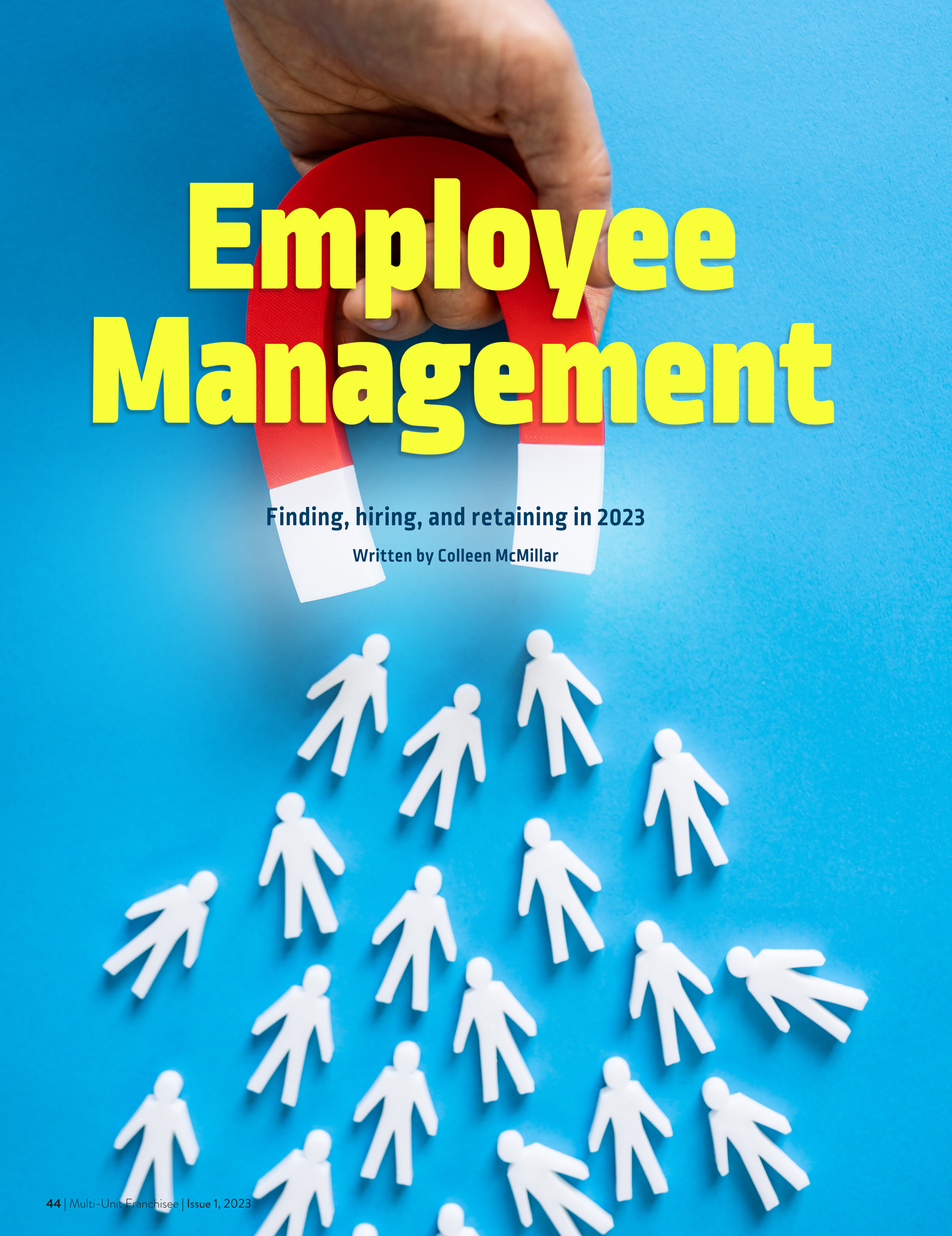
RANK	COMPANY	UNITS	BRANDS
1	FLYNN HOLDINGS	2,470	PIZZA HUT, APPLEBEE'S, ARBY'S, TACO BELL, WENDY'S, PANERA BREAD, KFC, MARRIOTT & HILTON-BRANDED SELECT SERVICE HOTELS
2	DHANANI GROUP	1,293	BURGER KING, POPEYES, PIZZA HUT, LA MADELEINE, DUNKIN', BASKIN-ROBBINS
3	SUN HOLDINGS	1,127	ARBY'S, POPEYES, BURGER KING, APPLEBEE'S, PAPA JOHN'S, MCALISTER'S DELI, IHOP, GNC LIVE WELL, TACO BUENO, GOLDEN CORRAL, CICIS
4	KBP BRANDS	1,107	KFC, ARBY'S, TACO BELL
5	CARROLS RESTAURANT GROUP	1,094	BURGER KING, POPEYES
6	TARGET	838	PIZZA HUT
7	PILOT TRAVEL CENTERS	687	SUBWAY, CINNABON, DUNKIN', WENDY'S, ARBY'S, TACO BELL, DQ TREAT, AUNTIE ANNE'S, MOE'S SOUTHWEST GRILL, PIZZA HUT, IHOP, LITTLE CAESARS, KFC, CHESTER'S
8	ARAMARK	557	AUNTIE ANNE'S, BAJA FRESH, BURGERFI, CARIBOU COFFEE, CHICK-FIL-A, CHILI'S, DENNY'S, DUNKIN', DUNN BROTHERS COFFEE, EINSTEIN BROS. BAGELS, ERBERT & GERBERT'S, EXTREME PITA, FIREHOUSE SUBS, FRESHII, JAMBA, JERSEY MIKE'S, KFC, LA MADELEINE, MCALISTER'S DELI, MOE'S SOUTHWEST GRILL, MOOYAH, OATH PIZZA, PACIUGO GELATO CAFFE, PANDA EXPRESS, PANERA BREAD, PAPA JOHN'S, PIZZA HUT, PJ'S COFFEE OF NEW ORLEANS, QDOBA MEXICAN EATS, QUIZNOS, RAISING CANE'S, RUSTY TACO, SMASHBURGER, STEAK 'N SHAKE, SUBWAY, TACO BELL, TACO DEL MAR, TIM HORTONS, VILLAGE JUICE KITCHEN, WAHOO'S FISH TACO, WENDY'S, WHICH WICH, WING ZONE
9	LOVE'S TRAVEL STOPS & COUNTRY STORES	535	SUBWAY, GODFATHER'S PIZZA, CHESTER'S, TACO JOHN'S, HOLIDAY INN, SLEEP INN BY CHOICE HOTELS, DUNKIN', FAIRFIELD BY MARRIOTT, ARBY'S, BOJANGLES, DQ TREAT, NAF NAF MIDDLE EASTERN GRILL, BEST WESTERN HOTELS & RESORTS, MICROTEL INN & SUITES BY WYNDHAM, HAMPTON INN BY HILTON, JET'S PIZZA, BIMBO FOODS BAKERIES DISTRIBUTION, MAINSTAY SUITES EXTENDED STAY BY CHOICE HOTELS
10	HAZA GROUP	522	WENDY'S, TACO BELL
11	TEAM CAR CARE	509	JIFFY LUBE
12	ARMY & AIR FORCE EXCHANGE SERVICES	481	SUBWAY, BURGER KING, CHARLEYS, POPEYES LOUISIANA KITCHEN, ARBY'S, TACO BELL, QDOBA MEXICAN EATS, EINSTEIN BROS. BAGELS, BASKIN-ROBBINS, DUNKIN', RICE KING, WING ZONE, PIZZA HUT, SLIM CHICKENS, REGAL NAILS SALON & SPA, TACO JOHN'S
13	GPS HOSPITALITY	477	BURGER KING, PIZZA HUT, POPEYES LOUISIANA KITCHEN
14	CMG COMPANIES	439	KFC/TACO BELL, SONIC, GENGHIS GRILL, MARRIOTT, HILTON, IHG, GENGHIS GRILL, SONIC, RENT-A-CENTER
15	CHARTER FOODS	435	TACO BELL, LONG JOHN SILVER'S, KFC, A&W, PIZZA HUT
16	AMPLER GROUP	433	BURGER KING, LITTLE CAESARS, CHURCH'S CHICKEN, TACO BELL, PIZZA HUT
17	TASTY	420	PIZZA HUT, BURGER KING, DUNKIN', KFC, TACO BELL, BASKIN-ROBBINS
18	SIZZLING PLATTER	418	LITTLE CAESARS, WINGSTOP, DUNKIN'
19	WENDPARTNERS FRANCHISE GROUP	395	WENDY'S

RANK	COMPANY	UNITS	BRANDS
20	WKS RESTAURANT GROUP	388	WENDY'S, DENNY'S, EL POLLO LOCO, KRISPY KREME, BLAZE PIZZA
21	JIB MANAGEMENT (YADAV ENTERPRISES)	358	JACK IN THE BOX, DENNY'S, TGI FRIDAYS
22	HARMAN MANAGEMENT	354	KFC, A&W
23	SUMMIT RESTAURANT GROUP (NEIGHBORHOOD HOSPITALITY)	350	IHOP, APPLEBEE'S
24	VISION GROWTH PARTNERS/SUPER C GROUP	347	SUPERCUTS, COST CUTTERS
25	ROTTINGHAUS COMPANY	346	SUBWAY
26	QUALITY RESTAURANT GROUP	342	PIZZA HUT, SONIC, MOE'S SOUTHWEST GRILL, ARBY'S
27	TACALA	335	TACO BELL, KFC
28	PACIFIC BELLS	330	KFC, BUFFALO WILD WINGS, TACO BELL
28	RBD CALIFORNIA RESTAURANTS	330	KFC, TACO BELL
30	K-MAC ENTERPRISES	327	TACO BELL, KFC
31	DIVERSIFIED RESTAURANT GROUP	325	TACO BELL, ARBY'S
32	AMPEX BRANDS	319	KFC, PIZZA HUT, LONG JOHN SILVER'S, TACO BELL, A&W
33	BODDIE-NOELL ENTERPRISES	303	HARDEE'S
34	DESERT DE ORO FOODS	302	TACO BELL, PIZZA HUT, KFC
35	MASON-HARRISON-RATLIFF ENTERPRISES	301	SONIC
36	SODEXO	300	CHICK-FIL-A, EINSTEIN BROS. BAGELS, SUBWAY, DUNKIN', PIZZA HUT, QDOBA MEXICAN EATS, JAMBA, MOE'S SOUTHWEST GRILL, STEAK 'N SHAKE BY BIGLARI, GARBANZO MEDITERRANEAN FRESH, TACO BELL, ERBERT & GERBERT'S, FRESHII, BASKIN-ROBBINS, MCALISTER'S DELI, PANERA BREAD, PJ'S COFFEE OF NEW ORLEANS, AUNTIE ANNE'S, BAJA FRESH, BLAZE PIZZA, BURGER KING, DENNY'S, FIREHOUSE SUBS, GODFATHER'S PIZZA, NRGIZE LIFESTYLE CAFE, PAPA JOHN'S, THE HABIT BURGER GRILL, WHICH WICH, BARRY BAGELS, DQ TREAT, GOLD STAR CHILI, MRS. FIELDS, SBARRO
37	EYM GROUP	299	PIZZA HUT, DENNY'S, KFC, BURGER KING, PANERA BREAD, TACO BELL
38	THE COVELLI FAMILY LTD PARTNERSHIP	285	PANERA BREAD, DAIRY QUEEN
39	G&M OIL CO	279	CHEVRON, EXTREME PITA
40	AMERICAN WEST RESTAURANT GROUP	273	PIZZA HUT
41	BESHAY ENTERPRISES	260	JACK IN THE BOX, POPEYES, DENNY'S
42	DL ROGERS	259	SONIC
43	TA OPERATING	256	POPEYES LOUISIANA KITCHEN, TACO BELL, BURGER KING, SUBWAY, PIZZA HUT, DUNKIN', ARBY'S, CHARLEYS, A&W, BASKIN-ROBBINS, BLACK BEAR DINER, FAZOLI'S, WENDY'S, IHOP, CARL'S JR., DQ TREAT, JAMBA, KFC, SUPER 8 BY WYNDHAM, TACOTIME, TIM HORTONS
44	FUGATE ENTERPRISES	254	PIZZA HUT, TACO BELL, SONIC
45	FOURTEEN FOODS	243	DAIRY QUEEN, DQ TREAT

RANK	COMPANY	UNITS	BRANDS
46	COMPASS GROUP USA	240	EINSTEIN BROS. BAGELS, PAPA JOHN'S, PANDA EXPRESS, DUNKIN', SUBWAY, MOE'S SOUTHWEST GRILL, PIZZA HUT, JAMBA, PJ'S COFFEE OF NEW ORLEANS, STEAK 'N SHAKE, CARIBOU COFFEE, JERSEY MIKE'S, WENDY'S, TIM HORTONS, WHICH WICH, CHILI'S, QDOBA MEXICAN EATS, BOJANGLES, FIREHOUSE SUBS, KFC, FRESHII, SBARRO, SMASHBURGER, PITA PIT, SLIM CHICKENS, FREDDY'S FROZEN CUSTARD & STEAKBURGERS, BAJA FRESH, BASKIN-ROBBINS, BURGER KING, MOD PIZZA, PANERA BREAD, POPEYES LOUISIANA KITCHEN, QUIZNOS, ERBERT & GERBERT'S, PLANET SMOOTHIE, THE HABIT BURGER GRILL, BLIMPIE, PINKBERRY, AUNTIE ANNE'S, ILLY CAFFE, TACO BELL
47	BORDER FOODS	231	TACO BELL, CHURCH'S CHICKEN
48	HMSHOST	231	BURGER KING, SBARRO, CHILI'S, ROY ROGERS, QUIZNOS, POPEYES LOUISIANA KITCHEN, CHICK-FIL-A, NATHAN'S FAMOUS, CALIFORNIA PIZZA KITCHEN, PIZZA HUT, FIREHOUSE SUBS, SMASHBURGER, LA MADELEINE, DUNKIN', TCBY, EINSTEIN BROS. BAGELS, KELLY'S CAJUN GRILL, PANDA EXPRESS, BLAZE PIZZA, BLIMPIE, GREAT STEAK, MAGGIANO'S LITTLE ITALY, THE COUNTER, BURGERFI, PACIUGO GELATO CAFFE, STEAK 'N SHAKE, BAJA FRESH, JERSEY MIKE'S, MOE'S SOUTHWEST GRILL, ON THE BORDER
49	ALVARADO RESTAURANT NATION	221	TACO BELL, KFC, PIZZA HUT
50	APPLE HOSPITALITY REIT	218	HILTON GARDEN INN, HAMPTON INN BY HILTON, COURTYARD BY MARRIOTT, HOMEWOOD SUITES BY HILTON, RESIDENCE INN BY MARRIOTT, HOME2 SUITES BY HILTON, FAIRFIELD BY MARRIOTT, TOWNEPLACE SUITES BY MARRIOTT, SPRINGHILL SUITES BY MARRIOTT, HYATT PLACE, MARRIOTT HOTELS, EMBASSY SUITES BY HILTON, HYATT HOUSE
51	AKASH MANAGEMENT	216	CARL'S JR., PIEOLOGY PIZZERIA, JAMBA, ARBY'S, WINGSTOP
52	CAFUA MANAGEMENT COMPANY	214	DUNKIN'
53	ADT PIZZA	206	PIZZA HUT, LITTLE CEASARS
54	COTTI FOODS	203	WENDY'S, TACO BELL, PIEOLOGY PIZZERIA
55	NORTHWEST RESTAURANTS	203	TACO BELL, KFC, A&W
56	INTERFOODS OF AMERICA (SAILORMEN)	199	POPEYES, TACO BELL, BURGER KING
56	YELLOWHAMMER SALON GROUP	199	SMARTSTYLE, SUPERCUTS, COST CUTTERS FAMILY HAIR SALON
58	WARNER FOODS	197	JACK IN THE BOX, PANERA BREAD, NOODLES & COMPANY
59	PJ UNITED	196	PAPA JOHN'S
60	GS DALLAS GROUP	195	SUBWAY, WINGSTOP, EUROPEAN WAX CENTER, TROPICAL SMOOTHIE CAFE
61	CIRCLE K STORES	192	SUBWAY, CHURCH'S CHICKEN, BLIMPIE, HARDEE'S, DQ TREAT, DQ GRILL & CHILL, NOBLE ROMAN'S, HUDDLE HOUSE
61	GHAI MANAGEMENT SERVICES	192	BURGER KING, TACO BELL, POPEYES
63	PREMIER KINGS	191	BURGER KING, POPEYES
64	A3H FOODS LP	188	JACK IN THE BOX
65	HENLEY ENTERPRISES	187	VALVOLINE INSTANT OIL CHANGE
66	WENDYS OF COLORADO SPRINGS	186	WENDY'S
67	QUALITY DINING	185	BURGER KING, CHILI'S
68	LUIHN VANTEDGE PARTNERS	183	TACO BELL, KFC, PIZZA HUT
69	CAVE ENTERPRISES OPERATIONS	182	BURGER KING
70	RPM PIZZA	178	DOMINO'S
71	JAE RESTAURANT GROUP	174	WENDY'S

RANK	COMPANY	UNITS	BRANDS
72	HAMRA ENTERPRISES	172	WENDY'S, PANERA BREAD, NOODLES & COMPANY, HOLIDAY INN
73	ATTICUS FRANCHISE GROUP/ NOVARUS WELLNESS CONCEPTS/ MACKINAW HOLDINGS	171	MASSAGE ENVY, SONIC, WINGSTOP, MAACO
73	MERITAGE HOSPITALITY GROUP	171	WENDY'S
75	MARWAHA GROUP	166	SUBWAY, BURGER KING
76	FRESH ALTERNATIVES	163	SUBWAY
77	CAMBRIDGE FRANCHISE HOLDINGS (ALABAMA QUALITY/CAROLINA Q)	162	BURGER KING
77	CARLISLE	162	WENDY'S
77	JRN	162	KFC, PIZZA HUT
80	AES RESTAURANTS	157	ARBY'S
80	ARGONNE CAPITAL GROUP	157	PLANET FITNESS, WENDY'S, SONNY'S BBQ
82	CHAAC FOODS/ADF COMPANIES	156	PIZZA HUT, BOJANGLES, APPLEBEE'S, PANDA EXPRESS
82	DELIGHT RESTAURANT GROUP	156	WENDY'S, TACO BELL
84	SUMMERWOOD	152	TACO BELL, KFC, PIZZA HUT
84	B & B CONSULTANTS	152	SONIC
86	B & G FOOD ENTERPRISES	151	TACO BELL, KFC
87	TEAM LYDERS (SUNDANCE)	151	TACO BELL, ARBY'S
88	AMBROSIA QSR	150	BURGER KING, POPEYES
89	BAJCO	145	PAPA JOHN'S
89	STARCORP	145	HARDEE'S, CARL'S JR.
91	WING FINANCIAL SERVICES	142	JACKSON HEWITT TAX SERVICE
92	THREE20 CAPITAL GROUP	140	MASSAGE ENVY, SOLA SALON STUDIOS
93	MBN BRANDS	139	JIMMY JOHN'S, BURGER KING, KFC, LITTLE CAESARS
93	METRO FRANCHISING COMMISSARY	139	DUNKIN', BASKIN-ROBBINS, NATHAN'S FAMOUS
95	GRAND MERE CAPITAL	138	PIZZA HUT
96	CELEBRATION RESTAURANT GROUP	136	PIZZA HUT, TACO BELL, KFC
97	HEEBA ZAHRA	133	DQ GRILL & CHILL, DQ TREAT
97	TEAM SCHOSTAK FAMILY RESTAURANTS	133	APPLEBEE'S, WENDY'S, MOD PIZZA, IHOP
99	DOHERTY ENTERPRISES	132	APPLEBEE'S, PANERA BREAD, SOLA SALON STUDIOS
99	FRESH DINING CONCEPTS	132	AUNTIE ANNE'S, CINNABON, CARVEL
99	MANNA DEVELOPMENT GROUP	132	PANERA BREAD
99	UNITED PF	132	PLANET FITNESS
99	VITALIGENT	132	JAMBA, AUNTIE ANNE'S, CINNABON

SOURCE: FRANDATA



Employee Management

Finding, hiring, and retaining in 2023

Written by Colleen McMillar

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**This information can be found in Item 19 of the 2022 Franchise Disclosure Document issued by WNW Franchising, LLC.
The data reflects the calendar year beginning January 1, 2021 and ending December 31, 2021, and shows the data for reporting stores which were open and operating for at least 12 months as of December 31, 2021. There is no assurance that you will do as well. This is not an offer to sell you a franchise. The offer of a franchise can only be made through the delivery of a franchise disclosure document. Certain states require that we register the franchise disclosure document in those states. This communication is not specifically directed by us to the residents of any of those states. Moreover, we will not offer or sell franchises in those states until we have registered the franchise (or obtained an applicable exemption from registration) and delivered the franchise disclosure document to the prospective franchisee in compliance with the applicable law.

Two Septembers ago, in the midst of what some describe as the most severe worker shortage since the Second World War, Paul Booth Jr.'s company took ownership of its first Ace Hardware store.

Some prospective franchisees might have been hesitant to embark on a new venture in an industry especially stressed for workers. Not Booth. Although new to retail, he was a second-generation McDonald's multi-unit franchisee in Cincinnati, who had learned a thing or two about hiring over the years. Booth rolled up his sleeves and went to work.

"When I got out of college in 2004, online recruiting became mainstream. You posted a job on a site like Monster and that would be enough," he says. "Today, that can't be the be-all and end-all. You really have to be strategic when you go into the online space."

Booth's strategy? "We've been looking at other ways we can digitally recruit, whether that's by text or just making the application process a lot simpler. We also respond faster. In this day and age, you have to respond within 24 hours. Otherwise, that applicant is on to the next job. Streamlining our process has really helped us."

His strategy didn't stop there. Ace Hardware team members have attended job fairs, visited schools, and increased in-store demonstrations. The stores also sponsor more community events and have established a referral program that rewards current employees for identifying new ones.

"We have a multi-channel strategy," says Booth. "Yes, we do have online recruiting and things like that. But that's just one of many channels where we try to get applicants."

> **We hear every day from our member companies—of every size and industry, across nearly every state—that they're facing unprecedented challenges trying to find enough workers to fill open jobs."**

Cold, hard facts

The U.S. Chamber of Commerce estimated that in October there were 3 million fewer people in the labor force than in February 2020.

"We hear every day from our member companies—of every size and industry, across nearly every state—that they're facing unprecedented challenges trying to find enough workers to fill open jobs," wrote Stephanie Ferguson, the Chamber's director of global employment policy and special initiatives, on the organization's website.

Across the U.S., franchise operators are getting creative as they try to pull workers to their businesses from a pandemic-shrunken labor force. Worker expectations about pay, schedules, and benefits are shifting. Some franchisees say the culture they've created is giving them a leg up on the competition. Other franchisees have been forced to rethink their priorities as they struggle to attract and retain talent.

Where have all the workers gone?

What's happened to all the workers? While this may be a subject of debate, the effects of the labor shortage are much clearer. In a study released about a year ago by the IFA and FRANdata, 80% of franchise brands reported that the labor shortage had constrained their growth.

David Paris owns a law firm in New Jersey that represents hundreds of franchise operators. Some of his clients have been forced to alter plans for opening new units. Some have shortened their operating hours because of difficulty attracting competent workers.

In addition to representing franchisees, Paris and his law partner own franchise units throughout the country, including Popeyes and Rent-A-Centers.

Although he's typically not involved in the day-to-day operations of his company's units, he hears a lot about today's hiring woes from those in the trenches and from his clients, especially those in the QSR segment. "Getting people who want to work in QSR, getting people who will show up for work, seems like a tremendous challenge," says Paris. "When I talk to my peers and colleagues and clients as an attorney in the franchise world, the same questions are being circulated among the owners: "Where is everybody, and what are they doing to make a living right now?"

David Paris
Lawyer, Franchisee
Popeyes, Rent-A-Center

One speculation he often hears is that many are still living off the savings they accumulated from pandemic stimulus checks. "There are a number of different theories out there, but I don't think anyone really has the right answer," he says.

At his Rent-A-Centers, Paris is determined to keep his productive employees happy. Top performers receive travel and financial rewards. However, he says, many franchisees are paying higher wages than ever before and are still having a hard time.

Employees today, he says, "are able to command a premium. They're not necessarily more talented and have no other attributes that would command that premium, but they are allowed to charge it just as a product of the market."

Some of his clients have implemented signing bonuses, retention bonuses, and weekly bonuses paid out if employees show up for all of their shifts. "There's no stone unturned in terms of what people are doing to find employees," he says.

Work/life balance

Booth's company, Concentric Brands, is actively seeking to branch out in limited re-

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Paul Booth Jr.
Franchisee
Ace Hardware

tail, service-based brands, and quick-service restaurants. At Ace Hardware, the company employs about 25 people. He counts himself lucky that it's a business that draws older, sometimes retired workers. Even so, at one point, the store had lost about a third of its team.

So he set his sights on retention. "We really focused on incentivizing our employees. We stepped up our employee engagement to let our team who had stuck with us know how important and valuable they are, whether that was contests or raffles or highlighting the Associate of the Month," he says. "I have an open-door policy, even though we have management in place. I want people to know they can talk to me. We also listened to what their ideas were for making the business better."

"We increased our presence in the community and let people know that we were there and that opportunities were available."

To recruit, team members left the store and took their message to Cincinnati-area residents. "We increased our presence in the community and let people know that we were there and that opportunities were available. When we made our presence known that way, people saw how essential we were, and I think that helped. We had a lot of people walking in saying, 'I would work at Ace. I feel good about this place. When I walk in here, people greet me, they smile at me.' When people had that experience, we got a lot of applicants."

That's not to say finding and retaining workers has been easy for him. "One of the things that is a challenge for us, from a retention standpoint, is the pay. The pay at some of the big box stores is higher," says Booth. However, he says, not all employees are looking only at pay. Some, he says, "are looking for a different type of culture, and that's where we actually win."

It's where other franchise operators also can win by considering the type of culture that's being set within the various brands, he says.

"As John Venhuizen, our CEO, said, our number-one value is love. What company do you go to where you hear that? I actually have my associates, when they join our team, sign off on a values statement. And in that values statement, it talks about love, it talks about humility, all those things that are important to our culture."

Booth also says it's important to accommodate employees when possible, to create "a work environment where people are able to balance their lives or have some level of what I would call work/life synergy. Because sometimes things can't be balanced, they just have to all work together."

Moving forward, it's critical that franchise operators look at scheduling differently, he says. "One of the recruitment tools we used was flexible scheduling—still meeting the needs of the business, but having a flexible schedule. We attracted some high-quality associates."

At the same time, Ace Hardware's proactive approach to hiring has allowed store leaders to stay conscious of diversity and inclusion and the benefits that come with that. Each job opening is an opportunity, says Booth.

"It's all about perspective," he says. "This labor market gives us an opportunity as we're looking at how we want to build and restructure our teams. Whether that's at the store level or management level, I see that as an opportunity for us to think about how we want to do things differently from a diversity perspective than what we did in the past. That's what I've tried to do, and that's what we've tried to do in our organization: to be more diverse and inclusive and to celebrate it."

The competitive advantage

Hiring a diverse staff is not an extra burden in a tight labor market. It should be what naturally happens if you're hiring the best team you can, says Andrew Howell. He and his father own 19 Tropical Smoothie Cafes in Florida. They also hold licenses for three Another Broken Egg locations in the state.

For the most part, their Tropical Smoothies have been able to maintain stability in their work staff. It also helped that the cafes didn't have to go through extended pandemic shutdowns. And often, they pay more than competitors, because, he says, "If you pay minimum wage, you're going to get minimum results."

Howell also credits the work environment he and store leaders have been able to create over the years. "Overall, we're not having a lot of the same issues that I'm hearing from other people," he says. "I think that's partly because of the culture we've built and how we're taking care of our people. Those things go a long way."

For instance, when the most recent hurricane blew through, an employee's car was flooded. Another had to vacate a damaged apartment. In both situations, the company was able to lend a helping hand. "There are things we've done that have helped us maintain our staffing when it's difficult for everyone else. Those kinds of stories get out to the community," he says. "If you take care of your people, they'll take care of your business."

Howell will soon complete the executive MBA program the University of Central Florida. He doesn't see the labor shortage as a long-term problem, but rather as more of a medium-term one. Eventually, rising interest rates will mean fewer businesses getting built, tighter budgets, and less hiring. "The bigger the unemployment pool is, obviously, the easier it is to find people," he says.

When it comes to hiring right now, some smaller businesses are having difficulties competing against larger companies, which can offer more perks. But Howell

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> **If you take care of your people, they'll take care of your business."**

believes franchisees have something to offer to employees that the bigger companies can't. And that, he says, is "having the feel that they know the owner, they know everyone involved. We can be small enough that it still feels personal. You're not just a number."

Finding the right fit can be more valuable than perks. "I love the phrase 'The Great Resignation,'" says Howell. "I think that's what we saw throughout the pandemic. We're seeing a lot of job-hopping right now. I think that's just people looking for a place where they can find a home. As restaurateurs, we need to be able to provide good, healthy environments where people will want to stay. Everybody's paying more, but you don't get a competitive advantage by paying more. You have to get a competitive advantage by being a better environment."

Improving employees' lives

Nathan Garn is president of Sizzling Platter, which operates 665 franchised units across 8 brands: Sizzler, Little Caesars, Dunkin', Wingstop, Red Robin, Jersey Mike's, Cinnabon, and Jamba. He thinks the worst of the labor crisis is over.

"From our perspective, generally, it seems to be abating. We're seeing more applicants. Our roster sizes are closer to what we consider to be par." At the same time, he doesn't expect a return to yesteryear. "I don't know that it will ever get back to where we were. It's just getting less pronounced," he says. "We're paying more to team members than we were. Some of it is related to the economic realities facing our potential workforce." Increasing pay was the start, not the finish line.

"We look at this as truly an opportunity for us to reevaluate what we can do to improve our team members' lives. So we launched an employee-engagement initiative that ranges from wellness to how we onboard team members to proactively working to really get their honest feedback and ensure that they have an opportunity to thrive in our organization," says Garn. "We've been working very hard to help communicate the upward mobility and opportunities that we have across our system."

For some people, the jobs are mere stepping-stones, and that's okay, says Garn. But some will choose to spend their careers with Sizzling Platter, and he welcomes that.

"If you look at our team members who are multi-unit operators, our district managers, our regional managers, they all have incredible amounts of tenure with us. And we believe that's because, historically, we've provided a culture where people want to stay and make a career," he says.

"The nice thing about what we've gone through is that it reinforces the notion that we truly need to have our team members at the forefront of all of our decisions, just thinking through how they feel. We get so customer-focused in this industry, but we can't even get to the customers if we don't have team members who are thriving." ■

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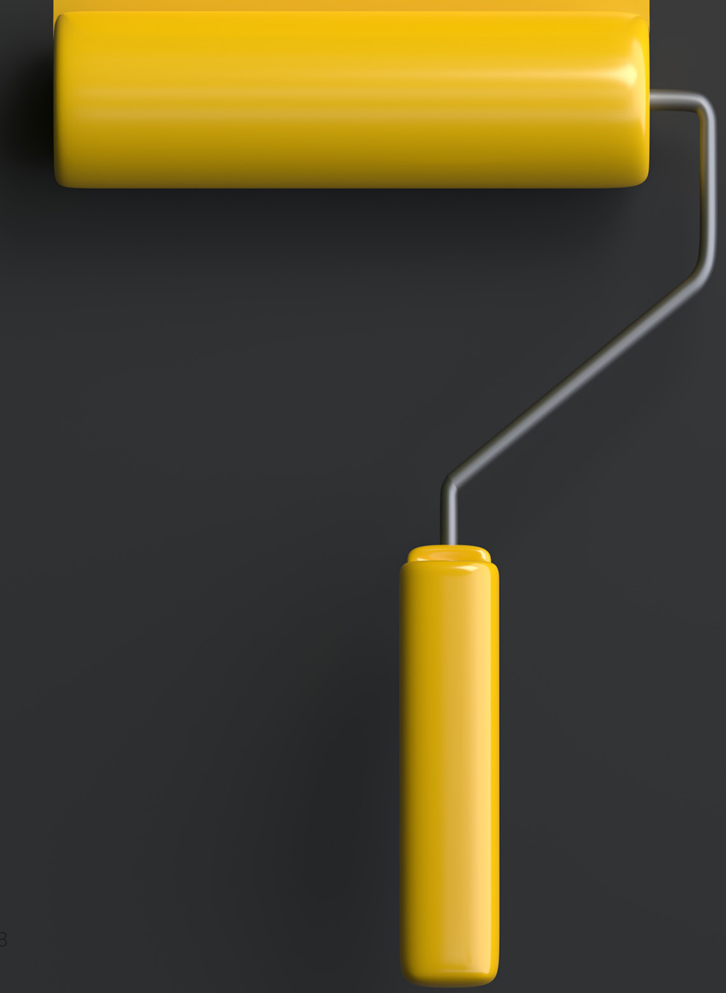
FIXER UPPER

Using conversions to maximize success

Written by **Helen Bond**



When Aaron Zucker and Aaron Fields converted a former Kentucky Fried Chicken into an American Family Care in Fuquay-Varina, North Carolina, the running joke around town was that all the entrepreneurs had to change was the sign from KFC to AFC.

"As funny as it was, we certainly wish it had been that easy to convert," says Zucker.

With two urgent care clinics open and five more to develop in the Raleigh area, the multi-unit franchisees are always on the hunt for just the right site. The franchise partners look for visible and accessible real estate with ample parking to quickly and safely ensure that as many people as possible get the standard of care they deserve.

"The best locations are rarely sitting there as vacant lots," says Zucker.

Recycling existing space has become a strategy for brands and franchisees of all shapes and sizes. In most cases, they are looking to trim real estate costs as part of pandemic-inspired adjustments, avoid the complexities and expense of a full construction project, and take advantage of a faster start at a prime location. Although it's always good to know why a property was shuttered, a real estate makeover can save franchisees time and money.

"Saving time can come from not needing as many permits and approvals, not having to construct the shell or doing site work," says Fields. "Financially, using an existing building often can present opportunities for cost savings, as well as provide occupancy cost factors to be lowered on an ongoing basis."

Use your franchisor!

To help with market analysis, site selection, lease negotiations, store design, and build-out responsibilities, franchisees also can take advantage of the analysis and insights of an experienced franchisor.

Pinch A Penny Pool Patio & Spa franchisee Chris Weis is transforming a high-end beauty salon into a new pool supply and retail store located along a bustling major corridor in Fort Worth. The 4,000-s.f. standalone site includes ample customer parking and space for his coming fleet of service trucks.

A first-time franchisee, Weis worked with his franchisor for help with lease negotiations. The result, he says, was that the landlord "gave us a really good deal starting off" that included six months of free rent. It was the breathing room that he and his wife, Nicol, needed to get their new family business off the ground on a solid footing.

"Not a lot of owners get the opportunity for a standalone building," he says.

The space is twice the size of the three other alternatives Pinch A Penny gave him to consider. When he opens in February 2023, his location will be the brand's largest in the Dallas-Fort Worth area. Feedback from other Pinch A Penny owners helped him seal the deal.

"Every owner I talked to said they wished they had more space for equipment," says Weis. "That was a big thing I was looking for. I could grow into this space and see it being a bigger store."

The benefits of conversion

Conversions can open a new world of opportunities for franchisees who know where to look.

While AFC's Zucker and Fields went to great lengths to "un-restaurant" the restaurant look and feel of the urgent care center, they kept one element of the property's fast-food roots: the drive-thru. It was a decision

that served them well, allowing the clinic to offer elective, asymptomatic testing when they opened in September 2020 during the height of the pandemic.

"The drive-thru turned out to be such a value-add to the community in Fuquay-Varina that we incorporated a drive-thru at our Wendell, North Carolina, opening, which was ground-up construction," says Fields.

Franchisors are also spearheading growth for their franchisees through conversion strategies and tactics, particularly locations with restaurant shells.

With 30 corporate and 50 franchised restaurants, Chicago-based Pizzeria Uno has launched a conversion strategy targeting full-service restaurants operating in hospitality-driven hotels, where site selection, kitchen equipment, and most of the front-of-the-house needs are already in place.

"Hotels seem like a natural place where we could solve someone else's problems. Most hotels, in general, lose money on restaurants," says Erik Frederick, CEO of Pizzeria Uno.

The strategy pays off in many ways, boosting dine-in and takeout revenue from hotel guests, group sales, and the community. Frederick says that hotel owners and operators can leverage lower customer acquisition costs, a higher capture rate, and the infrastructure that comes with being a franchisee of a national brand.

Hotel staff no longer have to watch money walk out the door with guest takeout and delivery from outside restaurants. The familiar neighborhood brand also attracts local residents who may have never stepped inside the hotel otherwise.

So far, Pizzeria Uno has converted three hotel restaurants in the Midwest into franchised restaurants, with a fourth on the way. Food and beverage sales have been impressive since day one, with two of the three franchisees signing on for more locations.

Conversions Are Great, But Not for Everybody

Franchising can bridge the gap between business ownership and success, says Brian Woods, group vice president of franchise development for Neighborly, the world's largest franchisor of home service brands.

"Conversions are win-win scenarios because conversion candidates get a strong brand name they can leverage in the home services industry, along with marketing, technology, and special discounts from vendors," says Woods.

And as the world's largest franchisor of home service brands, Neighborly has a robust conversion pipeline. Wood's lead development team focuses on identifying qualified, independently owned plumbing, HVAC, and electrical businesses. He looks to partner with "natural leaders" who are an asset to their community and who understand how to work on the business, not in the business.

Still, he says, conversion is not for everyone as prospective franchisees must comply with brand standards and not deviate from the business model. Converting to a new way of operating within a system can have a steep learning curve, and Woods encourages business owners to think carefully about starting a new relationship as a franchisee when they have been used to operating independently.

"Trust and strong systems come into play at the very beginning of the mutual evaluation process," he says. "We like to ask the right questions to ensure we select the right conversion candidates who will follow the model and proven systems."

When weighing an opportunity to convert to franchising, Woods urges independent owners to recognize the power of a proven system and a recognized brand name, which will provide additional business opportunities. These include:

- Taking advantage of marketing, operations, technology, and related support available to all franchisees;
- Reducing the risk of business failure by adopting proven systems that have made others successful; and
- Leveraging your fellow franchisees to gain valuable insights on best practices to help improve your overall business.

"Our restaurateurs are seeing anywhere between a 100% to 300% lift on their pre-conversion," says Frederick.

Pizzeria Uno looks to build on the success of its conversion program, including introducing a separate brand for economy hotels. Frederick is talking to prospects across the country and wants to expand with the right franchisees.

"As much as I'm trying to grow, we aren't targeting a specific area—we are targeting the 'who,'" says Frederick. "We have a great franchisee community, and we are going to keep it that way."

Conversion challenges

Conversions also can come with challenges. Zucker says it's essential to work with your franchisor to ensure the location meets or exceeds the standards. He and Fields had plenty of headaches modifying their property, which was constructed on a slope in the 1980s.

The duo had to replace the roof, demolish old fixtures, and place the building's rear wall on stilts at one point because of some serious structural issues. Tough decisions also had to be made in giving up revenue-generating square footage for functional space. Ultimately, they had to sacrifice the number of exam rooms they had planned because the building wasn't wide enough.

"Go into the project knowing that something is going to come up that you didn't plan for and be mentally prepared to roll with the adversity that will come with it," says Zucker.

"Never, ever compromise on the real estate," he says. "If the best site for you and your brand is a tough conversion, and an alternative option is a 'cleaner' deal, take the high road and go with the better site. It almost never fails."

The power of conversion

As labor shortages, supply chain issues, and inflation woes continue to squeeze small businesses, more independent operators are opting for the power of the franchise relationship. Home improvement services, home care, salon, real estate, hospitality, and automotive are among the sectors experiencing a surge in conversion franchising.

Andrew Gemmen converted his 42,000-s.f. Hudsonville, Michigan, family-owned store to an Ace Hardware in 2017. The hometown hardware store, founded by his grandfather in 1955 and previously affiliated with the Do It Best co-op, has been a mainstay in a growing area of western Michigan. Still, he knew it was time to change with the times and expand his services—something he felt unable to do on his own.

"We have new families and younger generational shoppers who know and understand what Ace is," says Gemmen. "When they looked at our building before and saw 'Do It Best,' sure it's a hardware store, but what does it mean? When you see 'Ace' on a building, because of their branding and marketing, people instantly know what it is, what they can go there for, and how their business will be conducted."

His decision to convert to the largest retailer-owned hardware cooperative came with loads of fact-finding. He and his wife

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price-checked and researched Ace's product mix and supplier. They also spoke with vendors, Ace employees, and others who made the switch. It took roughly 3 months to complete the transformation to Gemmen's Ace Hardware, but the benefits were immediate.

"We are a single store and single location, and the economies of scale that we needed to do the things we wanted, we couldn't do on our own. Instantly, overnight, we had an online shopping presence," he says. "

"Being part of Ace has taken significant hours out of my back office. That is the power of scale," Gemmen says. "We may not always love the way something works, but they have a system and a program. I could not run this business as a single independent owner with the amount of labor and man-hours I do without being part of Ace." ■

Changing Places

With consumers increasingly motivated by convenience, accessibility, and personalization, franchisors are responding with flexibility and innovation, with a growing number embracing the idea of adaptive reuse, aka conversion, by introducing multiple prototypes. Flexible designs and different-sized footprints give franchisees the option to tailor their investment to meet the needs of available real estate and their local customers' preferences and tastes.

Captain D's, a conversion fan since 2013, continues leveraging its proficiency in restaurant conversions to fuel nationwide expansion with both existing and new franchisees. Along with the debut of its new "Express" prototype—a smaller footprint featuring only a drive-thru and walk-up windows for ordering and pickup—the fast-casual seafood franchise remains bullish on converting vacant restaurant properties into profitable locations. In 2022, Captain D's recorded a strong slate of conversions, including a Burger King in Spring Hill, Florida, a Bojangles in Elberton, Georgia, a Taco Bell in Brooksville, Florida, and a Church's Chicken in Gulfport, Mississippi.

The creative use of space is an efficient, cost-effective way to enter new markets and expand existing ones. Captain D's estimates that redeveloping an existing footprint reduces startup costs by as much as 25% to 30%. It also provides a faster turnaround time, with conversions opening an average of 30 days sooner than new builds.

Franchisors' conversion programs have helped brands maximize development, as well as get franchisees off the ground and profitable more quickly. Fazoli's offers franchisees shorter terms, fewer conversion requirements, zero down payment, zero franchise fees, and zero royalty fees in their first year. Conversions accounted for half of the fast-casual chain's openings in 2021 with operators eager to take advantage of the brand's aggressive incentive program, as Fazoli's remains focused on continued nationwide growth.

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CX RULES!

MAKE 2023 YOUR BEST CX YEAR EVER

Written by **JOHN DIJULIUS**

Now is the best time to create your customer experience theme for the new year, one that you can rally your entire organization around. Here are some excellent and actionable insights to kick off brainstorming for making 2023 your best year ever.

The great retention. Great companies help people live amazing lives. Great leaders help their employees and customers reach their fullest potential. Great companies inspire team members to forge lives of meaning and purpose. Business leaders who care about and work for their employees—rather than thinking only that their employees work for them—will disproportionately attract people who are hardworking and want to work for them. This is true for both the largest and the smallest of companies. Focus on building a recruitment experience, an onboarding experience, and a world-class employee culture. Stop trying to find great employees; instead, focus on becoming the type of business great employees find.

The relationship economy and the cost of technology. Technology is changing the world, and not always for the better. The benefits it brings to businesses come at a significant cost: weaker human relationships. Strong relationships are vital to customer experiences, employee experiences, and happiness. Focusing strictly on a digital experience will eliminate customer loyalty and emotional connection to a brand. In a relationship economy, the primary currency is the connection and trust made between customers, employees, and vendors. This currency creates significantly more value in what we sell, leading to fewer bad experiences and more positive ones, creating the highest levels of customer satisfaction.

The customer service revolution. Are you willing to make a radical overthrow of conventional business mentality and transform what employees and customers experience? Making this cultural shift will reenergize your customer service team, providing them with fresh motivation. This change produces a culture that permeates people's lives at home, family events, and in the community—all of which provide your business with higher sales, employee morale, and customer loyalty.

Make price irrelevant. Based on the experiences your brand consistently delivers, your customers have no idea what your competition charges. We all know how great it feels when a company delivers on its promises. There is peace of mind for customers when they can trust your excellent customer service. Better yet, they can't stop telling others about you—and the conversation isn't even about price, it's about value.

CX strong. The companies that will dominate the next decade will be the ones obsessed with evolving the experience they provide to their employees and their customers alike. A team that is highly engaged, happy, and feels appreciated is the most capable of delivering best-in-class customer service, the kind that customers can enjoy only with your company.

URX. Employees must constantly be reminded, "You are the experience" (URX); that it is first and foremost about them and their customer interaction. Websites, iPads, apps, kiosks, and artificial intelligence don't build relationships, people do. And it starts with building rapport with customers. Employees who connect, instead of merely communicate, create the most loyal customers.

Carpe momento. Industry leaders know that the results of your products or services have the least to do with customer loyalty. Loyalty is created by the numerous micro-experiences a customer has with a brand. Employees must focus on how they can provide a positive customer experience in every interaction. Applying the FORD method (family, occupation, recreation, dreams) can enhance connections with customers, resulting in valuable insight and the chance to provide an even more personalized experience over time.

Give more. The best way to build long-term sustainable relationships is to give more in both your personal life and in your business. We often tend to operate by agreement: You do A, B, and C, and I do X, Y, and Z. However, many people wait to make sure the other person does their part first. What I try to practice and teach my employees is do X, Y, and Z first and throw in W, even though it wasn't part of the deal. Give *more* than the deal says, *more* than what is expected. Don't wait for the other person to do what they promised, don't keep score, and don't have a good memory. Don't remember 3 years ago when someone didn't do what they said they would.

Become a zero-risk brand. "Zero risk" does not mean you will never screw up. What it does mean is that you create systems and processes to dramatically reduce how often your company drops the ball. Just as importantly, when you do drop the ball, it means that you have incredible recovery systems in place that allow your customer-facing employees to make a brilliant comeback and create even stronger brand evangelists. What was initially a bad customer experience is transformed into a competitive advantage, often resulting in excellent customer feedback.

Create an above-and-beyond culture. Create an awareness of the most common opportunities for employees to deliver truly heroic service for the customer, resulting in an above-and-beyond culture. Define a level of service that empowers and inspires your employees to exceed customer expectations, and in turn, increases customer lifetime value.

Your CX is always on stage. This has never been more true than it is today. The marketing messages your company sends out and the experience your company delivers will be on stage 24/7 in 2023. ■

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.

Franchise Hiring in 2023

Gig work will become more common

Written by **MATHIEU STEVENSON**

As your franchise gears up for staffing in 2023, recognize the winds of change. While 2022 was a challenging year for hiring, 2023 looks to be much improved—*if* you embrace today's conditions and understand how to take advantage of changes in the air.

2022: A year of highs and lows

Let's begin by understanding what happened last year, and how it will likely affect future hiring.

1. In Q1 of 2022, franchises faced the tightest job market in generations. By March there were 4 million more job openings than in 2021, and two open jobs for every one applicant (versus 1.3 in pre-pandemic 2019).
2. The bleak job market peaked in Q2, though it remains imbalanced. Four million workers disappeared from the labor force during the pandemic—many of them women and early retirees.
3. As the year progressed, economic uncertainty and rising interest rates affected employers' outlook on hiring. While job openings declined 10% from their March peak, a tight job market persisted as job searches fell 8% from pre-pandemic levels.
4. Franchisees and workers learned how transferable job skills are. We found that 59% of frontline workers who changed jobs also changed industries. Sectors such as retail and hospitality benefited from hiring 66% of new workers from other industries, while restaurants relied primarily on industry hires (only 33% were from outside their industry).
5. In Q4, as the economic outlook became less certain, workers sought stability. Employee quit rates began to fall. While pre-Covid quit rates hovered around 1.6%, they rose to more than 3% during the height of the pandemic. The national quit rate has now fallen to 2.7% and is trending downward.
6. Industries that proved resilient in the pandemic (such as grocery) saw increased interest from frontline workers, while the restaurant and retail sectors suffered.

2023: A year of opportunity

With 2022's lessons in hand, here's what I anticipate happening with franchise hiring in 2023.

1. A possible recession will affect white-collar hiring more than frontline staffing at franchises. Since the pandemic, the majority of new jobs created in the U.S. have been white-collar jobs (many in technology). Frontline jobs have only recently recovered to pre-Covid levels. However, we have seen a shift across industries. For example, the warehousing and logistics sector added 1 million jobs, while jobs in hospitality fell more than 1 million below pre-pandemic levels.
2. The U.S. still has a demographic challenge that will continue to put pressure on frontline hiring. Labor force participation has been in decline for two decades as Boomers retire; this will restrict the number of available workers.
3. True gig work (picking up one-off shifts as opposed to having a set job and schedule) will become an even more popular way for frontline workers to supplement their income—and will affect how franchises manage staffing. Frontline workers' interest in gig work has doubled from pre-pandemic levels, partially driven by rising inflation. Franchises are increasingly using gig shift platforms to fill staffing gaps. In fact, the number of shifts posted on Shifts by Snagajob has grown 600% since the start of 2021. Given today's uncertain economic outlook, tapping into contingent gig labor will be critical for frontline employers.
4. To fill open roles, franchisees will have to look to new talent pools. In addition to gig workers, we'll see an increase in frontline employers hiring from historically underserved talent pools such as first-time job seekers, second-chance workers, and those with disabilities.
5. Wage increases will gradually slow. While frontline hiring will not be as affected by a recession as white-collar jobs, I anticipate a reduction across the board. This slowdown in wage growth will be driven by the pullback in e-commerce. This will mean fewer e-commerce fulfillment jobs in restaurants (and particularly in QSR) and in counter-cyclical sectors such as discount retail.

Recommendations for 2023

So what can you do to ensure your franchise can successfully staff up in 2023?

1. Look for first-time job seekers and candidates from other industries. Evaluate which roles really require previous industry experience versus what skills are transferable or can be learned quickly. For roles where the skills can be learned, reinforce in your job post that workers without previous industry experience are encouraged to apply.
2. Offer flexible staffing. Given today's uncertainty, leverage contingent labor to supplement your core team and mitigate overstaffing. Several platforms provide frontline employers with on-demand gig workers.
3. Lean into referrals. Referrals have five times the hire rate. Raise referral bonuses, run monthly campaigns to promote hiring activities, and ensure you have recruiting signage in the break room.
4. Optimize your job posts. Finely tuned job postings generate double the number of applicants. This includes listing the wage (+50% applicants), adding your logo (+30% applicants), using everyday terms, and highlighting differentiators such as training and a career path.

Mathieu Stevenson is CEO of Snagajob.

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WHAT'S AHEAD IN 2023

Legislative threats to franchising abound

Written by **MATT HALLER**

When it comes to public policy, nobody understands better than you that the odds are stacked against franchised businesses. Singled out because so few truly understand the franchise business model, lawmakers often unfairly target franchises as "big business" rather than the local businesses they are. That's why the IFA exists: to protect your business while enhancing and promoting the entire franchise sector.

With members as our chief advocates, we work for you to provide the platform, resources, and connections necessary to reach the lawmakers and influential figures who can move the needle on policy priorities in Washington, D.C., and in individual states. In 2022, the IFA worked to stop some of the most serious threats to franchising to date—achieving an historic year for advocacy wins in favor of franchising, while keeping our focus on legislative and regulatory challenges that may take shape in 2023 and beyond.

At the start of 2022, when the federal government remained under one-party control, the IFA prepared for potential headwinds armed with new research, powerful member stories, and the strategic vision to stop whatever challenges might arise.

When David Weil was nominated in January to serve as administrator of the Labor Department's Wage and Hour Division, a position he held in the Obama administration, the IFA immediately stepped into action to prevent his confirmation. Based on his previous tenure and anti-franchising book, *The Fissured Workplace,* Weil can be viewed as the human embodiment of the joint-employer standard and other policies that pose a direct threat to franchising. To stop the nomination, the IFA brought together powerful coalitions of business leaders and activated membership to reach out to their lawmakers so they understood how damaging his confirmation would be.

Thanks to this advocacy, Weil was the only nominee during this administration to be defeated on the Senate floor—and on a bipartisan basis. "The nearly yearlong opposition campaign from the business community was spearheaded by the International Franchise Association, which blasted Weil as the 'intellectual godfather' of so-called joint employer rules that seek to hold corporations accountable for franchisees' labor practices," noted Politico.

Although Weil's nomination no longer posed a threat, the NLRB proposed a joint-employer standard that would resurrect the harmful 2015 standard, which cost franchises billions of dollars, hundreds of thousands of jobs, and led to a 93% increase in litigation. The IFA continues to apply pressure urging the NLRB to withdraw this rule, and has gathered a bipartisan group of U.S. House and Senate members to oppose the rule, along with a broad cross-section of third-party groups that includes the national Black and Asian American chambers of commerce, and more than 3,000 franchises to weigh in on the harm this would bring to their businesses.

Also on the regulatory front, we have worked to ensure that the FTC Franchise Rule, the chief regulation governing franchising, is preserved in substantially its current form during its decennial review. Prioritizing the issue at the Franchise Action Network (FAN) annual meeting, IFA members held more than 200 meetings with members of Congress, resulting in bipartisan letters from 67 House members and 14 senators to the FTC, which acknowledged it will take the concerns of the franchise community into consideration when reviewing the Rule.

The issues didn't stop at the federal level in 2022. In California, the IFA focused on the existential threat posed by the FAST Recovery Act (AB 257). Affecting QSRs, the bill would have created an unelected council of political appointees to set labor standards for the sector, as well as create a joint-employer standard that would erode franchising in the state. Thanks to the IFA and coalition efforts, the bill was amended to strike the joint-employer provision, lessen the number of affected restaurants, and give businesses more of a voice on the council. However, with the bill's overly broad language, concerns remained about the authority of the council over business owners. Thus, after the bill was signed into law, the IFA immediately led a coalition to petition and gather signatures to take the measure to voters. With 1 million Californians weighing in over the course of a few weeks, the FAST Act has been stopped until voters have a say in November 2024.

In addition to the FAST Act, franchise relationship bills popped up in New Jersey, Oregon, and another in California. All were defeated, at least for now. What these bills and this past year have shown us is the importance of our members and the entire franchising community using their voices to educate lawmakers about franchising and how the policies they put forth affect businesses and the people they serve and employ.

After the active legislative year of 2022, and with the midterm elections in the rearview mirror, 2023 will bring a divided Congress—and the final rejection of the Protecting the Right to Organize (PRO) Act.

Looking ahead to 2023 and beyond, the IFA will continue to advocate for Congress to stop regulatory overreach of the administration and ensure that bills such as the FAST Act don't spread.

It is our hope that with your help our elected leaders will come together, work in a bipartisan manner, and support their local franchise businesses and all they do for the communities they serve.

Matt Haller is CEO and president of the IFA.

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PUT ME IN, COACH!

Setting goals, building a team, and getting results

Written by **LAUREN OWEN**

Imagine it's December 2023 and you're about to stand up and thank your team for a job well done. You're happy because you set—and met—many strong goals for your business this year, including your profit goals. This year's strong profits allowed you to distribute meaningful bonuses to your team and make plans for investments that will help grow your business in the years to come. Yes, there were some challenges, but for once you didn't feel it was all on your shoulders. Your team really stepped up. Now, as you reflect on what actions made the difference, several things stand out.

You set strong goals for the year. At your annual owners planning retreat, you took some time to think about your future and what you wanted—not only for your business, but also for your family. You revisited your exit strategy and timeline and set a goal for what your business should be worth by that time. This got you thinking about what profit your business must generate to get what you want for the business when you decide to sell. Once you determined your profit goal, you calculated the sales and margins needed to generate that profit. Then you built a budget to detail the monthly financial road map to your sales and profit goals.

In addition to the numbers, you envisioned your personal life, including that when you are away from the business you'd like to be offline as much as possible. You also decided you wanted to focus most of your time on what you like and on the things you do well.

You shared your goals with your team. For the first time, you shared your goals with your team at an offsite retreat. They appreciated your confidence in them and were glad to hear about your goals and plan to focus your time. They shared their frustration about being pulled in too many directions. They even told you that *your time* could be better spent, which led to an interesting discussion about the things they think you excel at—and at what things you don't. Some of that felt a little uncomfortable, but you had to admit they had some good points.

You and your team created a meaningful KPI scorecard. At that same meeting, you and your team members created a KPI scorecard that listed monthly goals tied to your annual goals. Some were financial (revenue, gross profit, labor costs, expense controls); others were around marketing, systems, and customer satisfaction.

Since you wanted your KPI scorecard to fit on one page, you evaluated each KPI target to see how important it was to achieving your overall yearly goals. If it was vital to meeting those goals, the target stayed on the scorecard; if not, off it went.

The financial goals were the easy part. It was harder to create measurable goals around your leadership and desired lifestyle. For example, you and the team decided that every month you would be 60% or more focused on things you do well and enjoy. This goal felt a little squishy to you, but you decided to go with it.

You created source people for each KPI. Each KPI goal was assigned to a person responsible for meeting the goal, but they could enlist or assign others some responsibilities toward meeting it. You were pleasantly surprised when more than enough people volunteered to be a source person for each KPI. (You assigned yourself as the source person for the leadership KPIs.)

You conducted monthly SET meetings to review KPI progress. Starting in January, you conducted a monthly Strategic Execution Team (SET) meeting to review your KPI scorecard. You celebrated when you met or exceeded your goals and took corrective action when you didn't. You were pleased to see how often team members came up with innovative solutions to problems that weren't even in their area of responsibility.

Although you didn't use this process to punish team members who weren't performing up to standard, it quickly became apparent when one of them habitually didn't meet their goals—despite extra coaching, training, and support from you and the team. It was a tough decision, but you had to let that person go.

Surprisingly, some of the largest impact came from that squishy goal you set around how you spent your time each month. Your team was more than willing to call you out when you got involved in tasks they deemed unworthy of your time. During the year, different team members took on some duties you always disliked—and, as it turned out, were much better at them than you ever were!

You got a coach. Change is hard. Having a coach to provide support, guidance, and accountability was key to making the shift to this new system. For example, you were glad the coach was there to lead the first 6 months of SET meetings, as it allowed you to focus on the content instead of having to be a "player coach."

The result? You had the time and energy to work on the business versus working in it. You found that you looked forward to going into the office most days, and on your days off you were truly offline (mostly, anyway). You even made plans to open that new location you'd been dreaming about for years. And one of your team members who emerged as a star player during the year will be its new manager.

Lauren Owen is a business coach and facilitator who helps closely held businesses, particularly family businesses, build effective teams and execute successful ownership transitions. She is a longtime associate, collaborator with Profit Soup and a contributing author for its new workshop, "Level Up Your Financial Coaching." Learn more at ProfitSoup.com, email her at lauren.owen@profitsoup.com, or call 206-282-3888.

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Investing Lessons from 2022

Stay calm and look to the long term

Written by **CAROL SCHLEIF**

Thanks to a perfect storm of unusual events (Russia's invasion of Ukraine; an unexpectedly strong reversal in consumer preferences for services over goods; trillions in fiscal stimulus pumped into the U.S. economy; suddenly hawkish central bankers playing catch-up with runaway inflation; and China's zero-tolerance Covid lockdowns) C-suite planners were left reeling, trying to respond to acute supply and demand disruptions throughout their operations.

As if that weren't enough, inflation soared, markets tanked, crypto crashed, SPACs imploded, the IPO market froze in its tracks, and central banks pushed policy rates from zero (or less than zero) to near 5%.

On the other hand, supply chains eased, consumers spent aggressively, capital spending rebounded, and a variety of new growth industries (EVs, batteries, space, healthcare) received funding and interest. It was a year fraught with contradictions, leaving investors scratching their heads and licking serious wounds.

Amid the turmoil, some aspects of how market participants reacted are not without precedent, even if the events themselves were unique. The headlines may change, but humans are still at the helm pulling the buy and sell levers. When confronted with uncertainty and unexpected events, our wiring pushes us toward largely predictable fight, flight, or freeze reactions. Such wiring often makes investors their own worst enemies, causing them to run for cover when headlines turn scary, or to ignore warning signs when emotions are ebullient.

Remember the frenzy over SPAC and crypto assets 18 months ago? Contrast that with the emotional, 1,000-point single-day swing triggered by an unexpected CPI report and it becomes clear that, in the short run, markets are anything but rational. In the hope they may prove helpful navigating the volatility that may remain in 2023, here are some lessons from 2022.

First, keep calm. Headlines all year had interpretations that could be perceived as both good and bad. Amid such daily whipsawing, it's important to keep thinking intermediate to long term. If headlines are overwhelmingly worrisome, where are there pockets of good that are being ignored? In the U.S., for example, significant dollars are being teed up by approved fiscal spending initiatives in support of green energy, infrastructure refurbishment, space force enhancement, battery technology, cybersecurity, Wi-Fi and EV charging station buildout, new health care supports, etc.

Companies across the board are moving proactively to right-size costs, diversify supply chains, and pivot operations to changing consumer preferences. Higher interest rates initially tanked many segments of fixed-income markets, but as they stabilize interesting opportunities are afoot in places that overcompensated or over-discounted how high or fast rates would go. It's important for long-term investors to stay calm, rather than be swayed by social media echo chambers and 24/7 news cycles.

Dig deeper into structural reasons that certain asset classes may be performing better or worse than underlying fundamentals would suggest. For example, throughout 2022 record amounts were pulled from bond funds, pushing prices lower than the upward move in interest rates would have dictated. This forced portfolio managers to sell their highest-quality, most-liquid securities first, often at steep discounts. Buyers of those bonds upgraded the quality and yield of their portfolios. In short, use volatility prompted by surprise to search out pockets that have over-discounted potential outcomes.

"Don't just do something, sit there." Numerous studies show that those who trade more often tend to have worse performance over time, particularly when frictional costs (taxes, fees, transaction expenses) are considered. This isn't necessarily a philosophy of buy and hold with no reevaluation, but a reminder to evaluate critically and not make spur-of-the-moment decisions. Write down your investment objectives, framing them as ranges of strategic core asset class representation in "normal" markets. Then move to one end or the other of those ranges based on relative shifts in valuations and outlook. Dialing up or down exposure by dollar cost averaging also can help.

That said, look for opportunities to upgrade the quality, timing, yield, and/or long-term positioning of your holdings. Trading in the early days of a meltdown is often not advisable. Waiting for the dust to settle and finding hints of a long-term direction to become clear may work in your favor.

The early days of Covid were a classic opportunity, as was the Brexit vote in 2016. Both events caused sudden and rapid repositioning against an overall healthy economy, and bottoms were found relatively quickly. In the current situation, it has been more difficult to tell if or when the bottom has been neared, as fundamentals are in unusual territory, whipsawed multiple times to the upside and downside.

This trading range, or "backing and filling" process, is likely to go on for some time as economic fundamentals play out and investors, consumers, and businesses anchor to higher levels of inflation and interest rates. That process seems to have established intermediate-term boundaries in this range, allowing those with the financial and stomach-lining wherewithal an opportunity to seek opportunities in high-quality assets whose prices are substantially cheaper than they were a year ago.

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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LET'S MAKE A DEAL!

Navigating a difficult transaction environment

Written by **CARTY DAVIS**

As 2022 has come to an end and we move into the new year, multi-unit operators and franchisors still face significant macroeconomic challenges. While labor costs and COGS remain top of mind, rising interest rates and the reduced availability of capital have served only to further exacerbate an already difficult economic environment with limited liquidity alternatives for sellers and companies seeking a sale.

Increased borrowing costs and constrained capital markets have dampened buyer enthusiasm, with some buyer groups sitting on the sidelines entirely, either focused on their existing portfolios or awaiting more certainty in the economy. Others are minimally engaged in new opportunities outside of "value" situations or acquisition opportunities that create immediate accretive synergies.

Private equity firms, family offices, and institutional capital continue to pursue new acquisitions. But with the increase in the cost of capital, their desire to pay a premium valuation has and will be limited—apart from unique situations or high-growth opportunities with a proven and efficient unit economic model.

Seller valuation expectations have not yet adjusted to their potential bidder's ability, or to their desire to pay discounted market prices. Many project that the stalemate will continue into the first half of 2023, when operators and franchisors begin to see a more significant reprieve in their performance. So what should buyers and sellers do now to remain relevant and to increase their chances of success in a dicey market?

For sellers

For franchisors and operators in brands with modest growth prospects or in brands underperforming within their segment, it may be best to remain on the sidelines until performance or the M&A market improves. Numerous discounted opportunities abound for buyers seeking deals, which puts further pressure on valuations for brands and concepts with marginal or uneven results. For franchisors and independent concepts, the immediate focus should be on improvement of the unit economic model to drive profitable growth in the future. This focus will better position your brand favorably when market conditions do improve.

For companies that don't have the luxury to wait for macroeconomic improvements, get organized and get creative. Books and records must be in order. Be transparent and proactive in explaining challenges and opportunities for improvement. A deal is much more likely to get to the closing table if a certain level of trust is established between buyer and seller. Surprises during due diligence not only will put pressure on valuations, in a fragile market they may kill a transaction altogether.

Franchise sellers also should have a clear understanding and be ready to disclose the cost, timing, and scope of work of any development or remodel projects that will be required as part of the transaction. Required future development and remodel projects can represent a significant future capital outlay and can affect valuation and the buyer pool. Additionally, in most cases, any required remodels that are past due represent a shared cost between the buyer and seller. The more detail on cost and historical/projected sales increases a seller can provide, the better chance that seller can ask a buyer to assume a larger portion of those costs.

Sellers may consider rolling over equity in a transaction to provide future upside, or bridging potential capital gaps with seller paper or an earnout. However, be careful of unrealistic or uncertain projections. Consider engaging an experienced professional to help explore the different liquidity alternatives available and to help prepare and best position your company for a sale.

For buyers

Well-positioned buyers have a unique opportunity to quickly build scale at a time when valuations have dipped sharply on both a per-unit cost or, more traditionally, as a lower multiple of EBITDA. Buyers who can close quickly with no capital or borrowing restraints have a significant advantage. With numerous highly motivated sellers, closing certainty and the ability to move quickly will separate winners from losers.

Look at pockets of opportunity that may not be officially "on the market." Speak to lenders and franchisors who may have distressed or "watch-list" transactions. Most lenders currently have a percentage of clients in technical covenant default. While the number of payment defaults on franchise transactions is still somewhat limited, these situations will likely grow. Buyers can improve their probability of success by being disciplined, but not unreasonable. Be opportunistic without being greedy. This is a fine line and often distinguishes successful dealmakers with distressed buyer candidates who never close a transaction.

Work to position yourself as an ideal buyer candidate. For franchise buyers, work with franchisors on pre-approval for their system and for specific transactions in the network. Minimizing the timetable for franchisor approval can separate a buyer who can act quickly from one that is just starting the approval process. Have all financing pre-approved with funds available and ready to fund quickly. Capital resources and a demonstrated financial capacity will often separate the winning bidder from another suitor.

Last, be patient. While closing a transaction in a difficult environment may not be easy, an opportunistic purchase today has the potential to add significant long-term value for the disciplined buyer who can close.

In any uncertain deal environment, the most successful buyers and sellers will be those who can adapt to changing and evolving conditions. Be patient, be open, be flexible, and good luck!

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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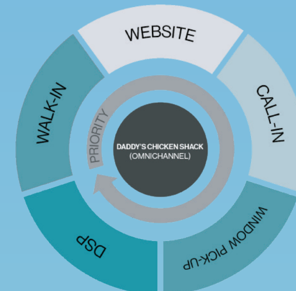

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New Brands!

Which sectors are creating the most?

Written by **DARRELL JOHNSON**

As most of you know, FRANdata tracks all franchise brands in the U.S., allowing us to see trends early in their development. One of the questions we repeatedly get is, "What's hot?" One way of answering that question is to look at where new brands are appearing.

Leading up to the pandemic and during its first couple of years, we saw a lot of businesses close permanently. However, capitalism seeks opportunities, and we're seeing it unfold through new franchise brand patterns. For most of the past 15 years, we have identified an average of about 250 new franchise brands per year. (To be clear, these are companies signaling an *intent* to franchise. Many never actually become a franchisor).

However, the past year saw an all-time four-quarter high of 373 new concepts. Knowing where they are coming from and some of their characteristics should help inform your investment strategy for 2023 and beyond. Examining these trends on a quarter-by-quarter basis for the past year reveals some interesting patterns.

Q4 2021. We identified 78 new franchise brands across 19 industries. As in all quarters since, QSR and Health & Fitness led all new brands. QSR concepts led in this quarter, a clear indication of consumer preferences focused on personal discretionary spending. New brands bring lots of pandemic-influenced new twists to these categories. For those with an investment strategy akin to "Hit 'em where they ain't" (baseball player Wee Willie Keeler, circa 1900), there are many options. More than one-third of new brands in this quarter were in Publications, Travel, and Maintenance Services.

Sixty-five of these brands had no franchised units at the end of 2020. Of the 78 new brand concepts we identified, 25 reported average unit revenue (AUR), with the average AUR of these 25 brands approximately $1,072,336. Eight brands were affiliated with existing franchise brands through their parent company. Over the past year, 18 international brands began franchising in the U.S. In this quarter, 11 international brands (mostly food) entered the U.S., originating from Canada, Ireland, South Korea, China, Taiwan, and Mexico.

Q1 2022. We identified 86 new franchise brands across 23 industries. Food concepts continued to make up a large percentage of new franchise concepts (about 42%), followed by Health & Fitness, with a growing number of brands in Maintenance Services. Other key industries were Real Estate, Child-Related Services, Education, and Automotive.

Sixteen of these brands had no franchised units at the end of Q1. Seven international brands entered the U.S. in this quarter, from the United Kingdom, India, Taiwan, South Korea, and Germany. Most were food-related, but they also included Tax Services, Education, and Auto Repair.

Of the 86 new brand concepts identified, 41 reported AURs, with an average AUR of $1,299,297. Compared with the previous quarter, brands reporting more than $1 million in annual sales doubled from 11 to 22. The average initial investment for the 86 concepts identified this quarter was $519,608. Sixteen brands were affiliated with existing franchise brands through their parent company.

Q2 2022. We identified 91 new franchise brands across 22 industries. Food concepts were consistent at 41% (from 23 in Q1 to 28 in Q2), followed by Health & Fitness. Other key industries were Maintenance Services, Child-Related Services, Education, and Sports & Recreation.

Forty-eight reported AURs, with the average for these 48 brands rising to $1,439,847. Brands reporting more than $1 million in annual sales declined from 22 in Q1 2022 to 19 in Q2. Seventy-one had no franchised units at the end of Q2. Two international concepts entered the U.S. franchise market in Q2, from Canada and South Korea. Twelve brands were affiliated with existing franchise brands through their parent company.

Q3 2022. We identified a record quarterly total of 118 new franchise brands across 22 industries. The top two categories were the same (Food and Health & Fitness). However, food concepts made up a slightly smaller percentage of new franchise concepts (about 38%) as other industries showed up more strongly in Q3. These included Maintenance Services, Building & Construction, and Beauty-Related.

Of the 118 new brand concepts identified, 48 reported AURs, with an average AUR for the 48 brands in this quarter of $984,511. The average initial investment for the 118 concepts identified this quarter was $475,962. Eighteen were affiliated with existing franchise brands through their parent company.

Options abound

There is much to digest in these brand trends. Momentum is clearly showing by quarterly expansion. While food in general looks increasingly crowded, more brands are moving away from traditional concepts toward international cuisine, healthy food, or convenience services. Fitness may be close to a consolidation phase, and we're now seeing a large expansion in Residential Services brands. While cost pressures have led to investment and operations reductions for many mature brands, a surprising number of new brands are coming with larger formats and associated larger investment requirements. You have plenty of options to consider in 2023!

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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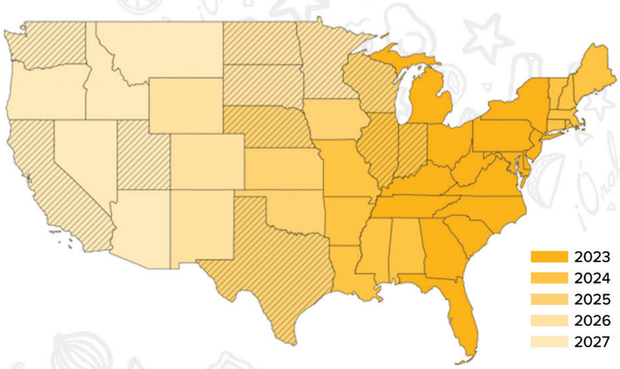

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*2019 average gross revenue for corporate-owned restaurants operating in urban markets for a full year. The full financial performance representation, along with its bases and assumptions, is included in Item 19 of our current FDD. This information is not intended as an offer to sell, or the solicitation of an offer to buy, a franchise. It is for information purposes only. An offer is made only by a Franchise Disclosure Document (FDD) in those jurisdictions that require it.

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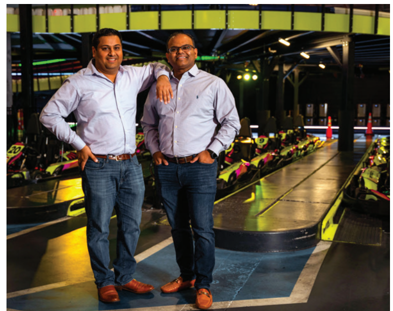

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***Based on the Average Unit Volume of the top 50% of our Franchised Stores for fiscal year 2021. Based on fiscal year 2021, 146 of 389 Franchised Stores in the category (38%) met or exceeded this average. This information appears in Item 19 of our current FDD – please refer to our FDD for complete information on financial performance. Results may differ. There is no assurance that any franchisee will perform as well.