FRANCHISE Update

ISSUE 2, 2023

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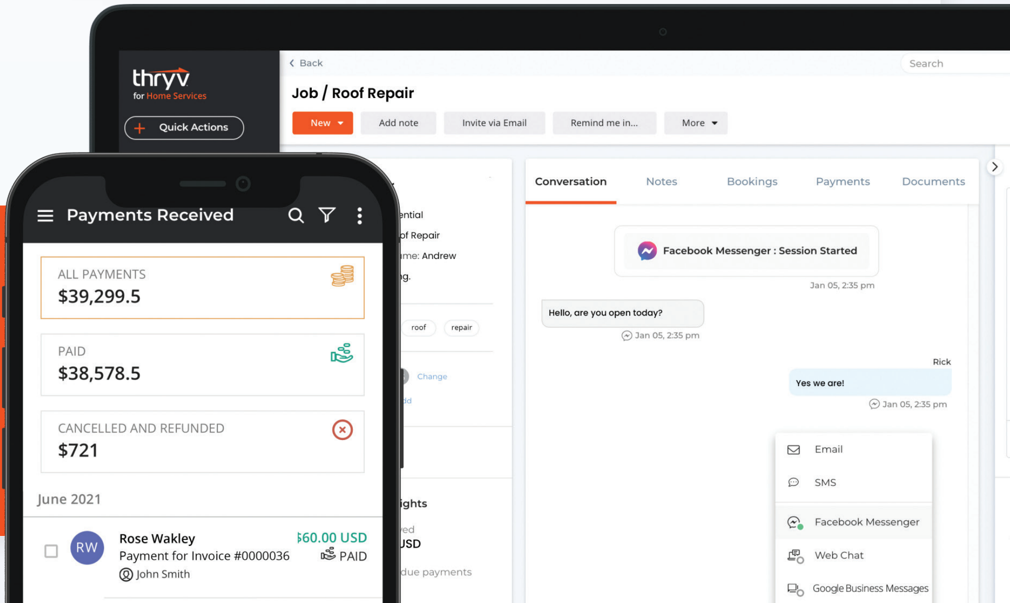

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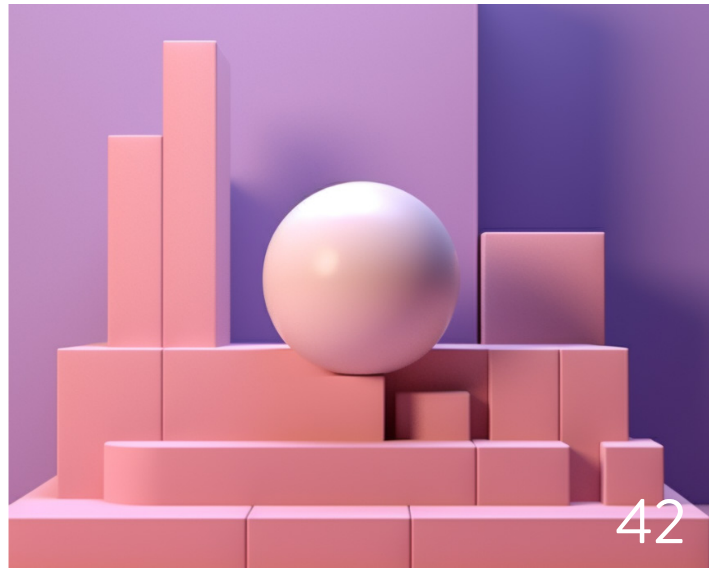

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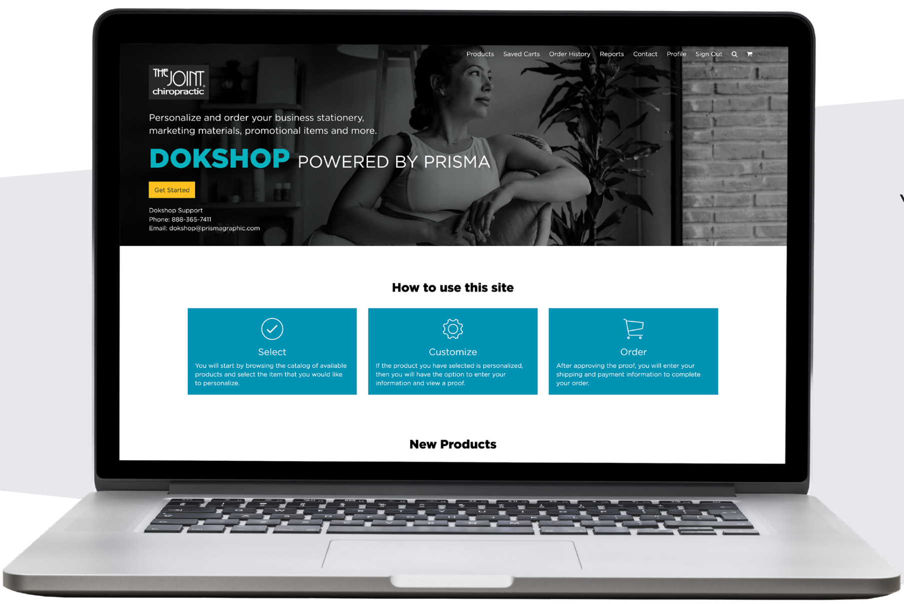

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Franchise Update

Issue 2, 2023

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Nothing Artificial Here!

Written by **KERRY PIPES & EDDY GOLDBERG**

The technical innovations coming down the pike and the amazing array of things they can do are mind-boggling on so many levels.

The darling of the moment here in 2023 is artificial intelligence. According to some observers, AI will do for intellectual work what the Industrial Revolution did for manufacturing and labor. Time, of course, will tell. (Full disclosure: I considered giving AI a shot at writing this column for me. And if I did, could you tell?)

In the past, franchising had the reputation as a sector slow to adopt new technologies, while others forged ahead. Clearly, especially on the consumer side, franchising has shed that rap and today is at the forefront of deploying the latest technologies to streamline their operations, manage their labor force, and connect with customers through omnichannel marketing.

The increased capabilities of technology have become an essential part of modern business, no matter what industry you're in. Increasing efficiencies and enhancing productivity (not to mention profitability) are critical to competing in a time when the slightest margins can make a big difference, especially at scale.

Using the newest technologies to enhance the post-Covid customer experience is a constant challenge as both the target audience and the economy continue to evolve in unpredictable ways. We know today's customers demand more from companies and that they want it as fast as possible.

That's why we're seeing brands like Teriyaki Madness testing the results of adding the navigation app Waze to their own app. Using Waze, the company can know exactly where DoorDash drivers are and have food hot and ready for pickup when drivers arrive at the restaurant.

Smashburger is testing a virtual drive-thru at a corporate-owned store in Houston. After customers order through the brand's app (which is using a new digital ordering system), they can track their order from start to finish. The result is a dramatically reduced wait time. And really, are we far from having drones zipping out orders and dropping them at customers' feet within minutes? (Or are we already there?)

Elsewhere in this issue, we take an in-depth look at the rise of multi-brand franchisors, a trend that's become increasingly popular. The reasoning behind is solid, both for brands *and* for franchisees. On the franchisor side, housing several brands under a single corporate umbrella can make them easier to manage and quicker to scale. On the franchisee side, the availability of complementary brands from their trusted franchisor can round out the portfolios of expansion-minded multi-unit operators.

Developments occurring right now in "frantech" will continue to accelerate in the coming years, resulting in pervasive changes to the franchise business model—especially in operations and labor. These changes and more will take hold and build new efficiencies and opportunities in franchising, a sector embracing change to the point of leading the way in many areas, especially consumer marketing.

Of course, you'll find all of the other great content you've come to expect from us here in this issue. I promise you it was all written AI-free and by real people (even this Editor's Note).

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"For me, the most important thing I strive for is trust."

Adding Value

Leading Best Life Brands into a growing future

Written by **KERRY PIPES**

J.J. SORRENTI
CEO

Company: Best Life Brands

Units: 550

Years in franchising: 35

Years in current position: 3

For the past several decades, J.J. Sorrenti has served in leadership roles helping to grow franchise brands. He's also led seminars around the country where he's counseled thousands of entrepreneurs about franchising and retail opportunities.

In March 2020, Sorrenti became CEO of Best Life Brands, whose offerings include Blue Moon Estate Sales, CarePatrol, ComForCare, At Your Side Home Care, and Boost Home Healthcare.

Before joining Best Life, he served as a member of GNC's executive leadership team where he was responsible for the franchising division, playing a key role in developing ongoing support systems and helping scale the system. Under his tenure, the company grew from 25 U.S. franchise locations to more than 3,000 in 42 countries with systemwide revenue of more than $700 million.

Sorrenti describes his leadership style as collaborative, with both the corporate team and the franchisees. He says no topic is off-limits and "adult conversations" are a routine part of life at Best Life Brands.

The future is bright for the Michigan-based company. "We are super-urgent about finding ways to help more people open our brands in their local markets so we can help more and more families as soon as we can," says this franchise veteran.

LEADERSHIP

What is your role as CEO? I am responsible for the overall success of the business, including our employees and franchisees. That includes the vision, mission, direction, and overall strategy of the business. From establishing a positive working environment to budgeting and forecasting to communicating with our board of directors, it is the ultimate responsibility of helping the company succeed.

How has Covid-19 affected the way you have led your brand? Covid-19 has had sweeping effects on the way we work, manage, and live our lives. Daily commutes have been reduced and global supply chains have been logjammed. We've proven that our brands not only are resilient to a pandemic but have actually found ways to thrive. Our franchisees were a big part of how we found our way through this black swan event. A renewed emphasis on collaborating with them helped ensure our best ideas were widely discussed.

Describe your leadership style. I like to function in an open, transparent way. We have plenty of adult conversations with the entire team about where we've been, what we've done, and where we are going. We emphasize collaboration and encourage operations team members to talk about marketing, finance team members to discuss product development, etc.

I aim to give a clear vision and stay pretty hands-off. But I'm ready and available to jump in and offer guidance, expertise, and help when needed.

What has inspired your leadership style? My experiences at GNC were a big influence in who I am as a business leader. I worked for a handful of very successful leaders at that company and was fortunate to watch, listen, and learn from them.

What is your biggest leadership challenge? Helping people be comfortable with being uncomfortable. The famous Mario Andretti quote, "If everything seems under control, you're just not going fast enough," is a truism in a fast-growing franchise business.

How do you transmit your culture from your office to frontline employees? This is always evolving because every person consumes information in different ways. One key way is that we work hard to simplify the message so it doesn't get confusing as it gets passed around. And we work hard to find ways to get those messages to the entire organization as often as possible.

How can a CEO help their CMO develop and grow? A successful CMO usually has a vision for growth, a love for data, innovative thinking, great communication skills, and the ability to adapt. Some of those skills are innate but can be kept sharp through working the muscle. From my view, two good places to start are to give them room to operate and keep them exposed to the development and execution of the highest levels of strategy.

Where is the best place to prepare for leadership, an MBA school or OTJ? Once I graduated with my bachelor's degree, I had zero interest in going back into a classroom. I found my best learning happened OTJ. But over 35 years, I've met brilliant leaders who have used either tool to get where they are. I say choose the path you desire. It will happen for you in a better way because it's the one you want to pursue.

Do you want to be liked or respected? In balance, respect is usually linked more closely to competence or productivity. For me, the most important thing I strive for is trust. I think it is uber-important to be trusted. Once you are trusted, positive relationships can be maintained, which opens the chance for the greatest potential.

Advice to CEO wannabes: As I was growing up in management, I thought so many times I was ready to be a CEO. In retrospect, I really wasn't. But I didn't get too discouraged by my earlier misplaced beliefs. I worked hard to keep listening and observing and finding ways to learn and be exposed to new ideas. The cliché is true: The sky is the limit.

MANAGEMENT

Describe your management style: Management style is something that can be hard for a person to explain about themselves. In reality, it's more about how it's received than how it's meant. I aim to give a clear vision and stay pretty hands-off. But I'm ready and available to jump in and offer guidance, expertise, and help when needed. I go out of my way to make sure I know when my team needs help. I don't hang around and wait to be called upon. I go to them. That means being accessible and available. We have informal check-ins that include general work life satisfaction and mental well-being because helping franchisees be successful is not an easy vocation.

What does your management team look like? At every company, our teams have been diverse, smart, confident, self-aware, motivated, and full of integrity. I read a Dee Hock article awhile ago in Fast Company. He encouraged a team built on many of these attributes. He specifically said: "Without integrity, motivation is dangerous; without motivation, capacity is impotent; without capacity, understanding is limited; without understanding, knowledge is meaningless; without knowledge, experience is blind."

How does your management team help you lead? I've been fortunate to have some amazing leaders on my teams over the years. They all have their strengths and expertise. I make sure they know that we rely on them to make the best decisions for the company. The senior leaders are there to encourage, support, and course correct when necessary.

Favorite management gurus: I've always admired Seth Godin's work. He forces you to shift your view of the end user (consumer/client/franchisee) as those we seek to serve instead of those that need to buy/use our "stuff." It's a very different way to deliver your message, and it can help create a competitive advantage when you do it right.

What makes you say, "Yes, now that's why I do what I do!"? I love seeing the success of our franchise network and the impact they make in their local communities. We have a positive impact on hundreds of thousands of people by extension of our solutions. Our seniors are the most vulnerable population and deserve to be treated with care and respect. We have so many wonderful caregivers and franchisees who are going above and beyond to care for clients. I'm very proud that ComForCare/At Your Side has been named a great place to work for the third year in a row, which confirms the positive workplace culture we have cultivated across the system.

OPERATIONS

What are you expecting from your market in the next 12 months? The demand for our services will continue to grow. That's impressive since it's already at a level that's very hard to fulfill. A big trend to watch for in the near term will be who embraces new technology to operationalize data, help businesses run more efficiently, provide a better experience for caregivers, and, most importantly, deliver the best quality care to more clients.

Are your franchisees bullish or bearish about growth and adding units? Our franchisees are bullish. They see the demand for our solutions in their local markets and are all working very hard to meet that demand. The challenge is not creating demand. It's creating capacity to meet that demand. We work with and support our franchisees to help them do that.

PERSONAL

Exercise in the morning? Wine with lunch? I'm an evening exerciser. I think it

If you are significant, you are leaving something behind, adding value to others. In the franchising work that we do, there is no greater measurement than adding value to others.

goes back to being a basketball player growing up. Practices were always in the afternoon, so I have found I prefer that timing more than any other.

Last two books read: *Sparring Partners* by John Grisham and a reread of sections of *Freakonomics* by Steven D. Levitt and Stephen J. Dubner.

What technology do you take on the road? All of it! iPad and laptop and iPhone. If I'm awake, I'm connected.

Favorite vacation destinations: My wife and I enjoy three things on vacation: golf, beach, and casino. There are only a few places that have great experiences for all three. If we are pressed, we emphasize golf.

Favorite occasions to send employees notes: I like to send a note after each monthly review of our business, and I also like to send notes to our team after our quarterly all-hands meetings. I want to hear what they thought of the meeting. How can we make it better? What did they hear that they liked? What did they hear that discouraged them? It's a great time of high engagement, so I use that timing to connect and converse.

BOTTOM LINE

What are your long-term goals for the company? We want to keep growing each of the brands in our portfolio because we know the need for our solutions is great, and we know our solutions will help. We are super-urgent about finding ways to help more people open our brands in their local markets so we can help more and more families as soon as we can.

How has the economy changed your goals for your company? The cost for all of our solutions has been increasing because of inflation. Therefore, other generations may see an impact there. The main issue facing franchisees, especially in recruitment and retention, is to continue to effectively engage employees and help them differentiate themselves from competitors. Most job seekers right now are looking for organizations that provide a healthy work/life balance and a job that has a purposeful meaning, which puts us in a very strong position.

How do you measure success? I was taught a long time ago to measure significance over success. Success is fleeting, leaves nothing behind, and is usually in the eye of the beholder. If you are significant, you are leaving something behind, adding value to others. In the franchising work that we do, there is no greater measurement than adding value to others.

What has been your greatest success? I joined Best Life Brands because of the problems the company solves for families today. It reminds me of similar problems we solved while I was a part of Huntington Learning Centers. When a child is struggling in school or when a family doesn't know what to do with their senior parent who needs immediate help, it causes stress and anxiety that is overwhelming and crippling to that family. Solving those problems is such an amazing mission. Again, it's not about success, but more about our franchise support teams and our franchisees and their teams creating a significant change for those families by solving their problems. That happens every day, and it's very gratifying for all of us.

What can we expect from your company in the next 12 to 18 months? Regardless of the economy, franchising in general and especially in the senior care space is very well-positioned for growth. Our passion is to make sure our existing franchisees are successful while adding more locations to help make our solutions even more convenient to more seniors and their families. ■

"My philosophy on my entrepreneurial journey has been to hire subject matter experts smarter than I am in every area of the business."

Unleashed Success

Growing 6 brands by leaps and bounds

Written by **KERRY PIPES**

MICHAEL BROWNING

Founder & CEO

Company: Unleashed Brands	
Units: 1,300 across 6 brands	
Age: 38	
Years in franchising: 11	
Years in current position: 11	

When we profiled Michael Browning in 2019, he was "flying high" as the CEO of Urban Air Adventure Park, a company he founded in 2011. A lot has happened since then.

In the summer of 2021, Browning launched Unleashed Brands with the idea of consolidating and growing the best youth enrichment brands while helping families find quality programs for their kids. He went looking for other brands that would fit within three areas: learn, play, and grow. Within 2 years, Unleashed Brands has grown to six brands: Urban Air Adventure Park, Snapology, Premier Martial Arts, The Little Gym, Class 101, and XP League. Today the company has 1,300 locations open and in development, serving more than 25 million kids.

"I inspect what I expect, and I hold people accountable," he says. "I am passionate and want passionate people around me. I love my job. I love to work. And I love to have fun with my team."

Unleashed Brands has made some big moves, and there are more to come, he says. The company plans to hire additional support staff and increase investments in its sales and e-commerce systems, CRM system, data analytics, and training tools and processes.

Those investments will be important. Browning says, "As an acquisition platform, we will always be on the lookout for world-class youth enrichment concepts we can add so that we can provide an even more complete experience for parents and for kids from birth until they become adults."

LEADERSHIP

What is your role as CEO? I focus on casting vision, raising capital, and on hiring, retaining, and leading people. On the vision side, I need to know where the company is today and where it has the potential to go. To take the company on the vision's journey, I need to ensure it has the resources (capital) to make investments in systems, technology, marketing, and, most importantly, people. On the people side, I get the pleasure of leading the best franchising youth enrichment, hospitality, and entertainment team in the world!

How has Covid-19 affected the way you have led your brand? The Covid-19 pandemic increased my conviction about our mission and vision. I knew how important experiences were to the families we were serving before Covid-19, but going through the lockdowns, I realized the experiences and enrichment activities we offer at Unleashed Brands could change the world. The human race was locked in their homes binge-watching Netflix, ordering stuff off Amazon, and having their groceries and meals delivered. Everything was digital and at our fingertips, yet we were not happy and not fulfilled.

We have found success in using our learning management system to hear directly from me on our why and our vision. I personally attend every Launch Day.

The reason is that we as a human race were designed to be in relationships and experience things together. It was at this moment it became clear that coming out of the Covid-19 lockdown Unleashed Brands had the opportunity to change the world by offering experiences that help the next generation of leaders learn, play, and grow.

Describe your leadership style. My hope is that when my team looks back, they will say that I was one of the hardest leaders they've ever worked for because I pushed them to strive to be great. I pushed them to try new things, to fail, and to disrupt the status quo. I like to set measurable goals and hit them in the time frame we set out. I never want to be the smartest guy in the room. My philosophy on my entrepreneurial journey has been to hire subject matter experts smarter than I am in every area of the business and then focus on casting the vision, ensuring that we have the capital and resources to empower them to win. My team and I are in constant pursuit of perfection we will never achieve. This means the journey will never end, and we get to wake up every day with something to work on.

What has inspired your leadership style? My father was an entrepreneur who worked hard, loved hard, and played hard. I credit a lot of my style to him.

What is your biggest leadership challenge? Not trying to solve everything and not sweating the small things. I care so much about my team, our organization, our franchisees, and our customers that sometimes I am quick to jump into action when I should have let things play out a little longer. Some situations need to marinate. Sometimes you need to allow for time to give you a large enough sample set of data so you can make a statistically significant decision.

How do you transmit your culture from your office to frontline employees? This is always a challenge with more than 20,000 frontline employees through our franchise locations, but we have found success in using our learning management system to hear directly from me on our *why* and our vision. I personally attend every Launch Day, our version of discovery day, as well as every new franchisee training and every general manager and management training that we host at our home office.

How can a CEO help their CMO develop and grow? I've seen two variations of a CMO. The first is a very brand-oriented CMO who can put together a great brand house, look, feel, and voice. The second is a very data-oriented CMO who knows their metrics like the back of their hand. Both can be successful on their own, but if you can help each learn how to implement traits of the other, they can become exponentially successful. Luckily, I have that combination with Jessica Correa, our CMO.

Where is the best place to prepare for leadership: an MBA school or OTJ? I am a firm believer in continual learning and education, but I do not have an MBA. When I am hiring for most roles, I am looking for experience. However, there are roles where having an MBA is helpful, including data science, financial planning, analysis, and accounting.

Are tough decisions best taken by one person? How do you make tough decisions? It depends on what tough decision it is. For most decisions, I seek the counsel of my board of directors, executive team, or mentors. For tough decisions around vision or how to reorganize the company and team to achieve the vision, I take those alone. Then I will get feedback from my board of directors, executive team, or mentors.

Do you want to be liked or respected? I want to be respected because of how I carry myself, treat my team, and operate my business with integrity. Respect is earned. Respect does not come from the title you have, but from how you treat people and the impact you make on them. Sometimes, I know people will not like the tough decisions I have to make, but I want them to respect those decisions because they respect me and know that I did what I believed was the best thing for the company.

Advice to CEO wannabes. The role of a CEO is really a service role. Your job is to empower those around you to grow, excel, and win. If you can find a way to do this in whatever role you are currently in today, your chances of being awarded the steering wheel are much higher. If you find yourself in the driver's seat, always remember that being a CEO is a privilege you should not take for granted. Your team members are dedicating a good portion of their life to carrying out your company's vision and mission, and that is an honor. Serve your team well. Help them grow and ensure they always feel valued and know the difference their work makes in the world.

MANAGEMENT

Describe your management style: On a day-to-day basis, I can be a tiebreaker, a coach, or a cheerleader. When you have an amazing and diverse team around the table empowered to share their opinions and take risks, sometimes there is not a consensus around an issue. In this moment, I break the tie. On other days, I get to be a coach and cheerleader where I break down wins and losses. We celebrate our wins, and we learn from our losses so that we are always getting better.

What does your management team look like? My management team is a diverse group of eight world-class executives with extensive experience in their areas of expertise. Each is a great leader and very passionate about building systems, processes, and teams that simplify operations for franchisees so they can focus on improving the lives of kids through their fun, engaging, and inspiring experiences.

How does your management team help you lead? The team is comfortable sharing opinions and wisdom about decisions the company needs to make. They are open and honest with me when they think I am wrong or could have done something differently to achieve a better outcome. They respect that we are not all always going to agree on how to handle a particular topic, but once I set the path we all commit to it.

Favorite management gurus: Do you read management books? *The Hard Thing About Hard Things* by Ben Horowitz; *Blitzscaling: The Lightning-Fast Path to Building Massively Valuable Companies* by Reid Hoffman and Chris Yeh; and *Blue Ocean Strategy* by W. Chan Kim and Renée Mauborgne.

What makes you say, "Yes, now that's why I do what I do!"? When I receive videos or letters from families whose lives have been affected by our franchisees and the businesses we support.

OPERATIONS

What trends are you seeing with consumer spending habits in your locations? Our customer is the Millennial mom and dad. Before the Covid pandemic, our customer was already 72% more likely to spend their money on experiences over things. When Covid hit and our customers were forced to stay in their homes anywhere from 6 months to 2 years, they tried to fill the experiential void by purchasing things on Amazon, streaming movies on Netflix, and ordering DoorDash. What our customers realized was that even though these things were at their fingertips and could be delivered to them in their homes, what they longed for were experiences and relationships. When these customers were allowed to return to their everyday lives outside of the home post-Covid, they were more likely than ever before to spend their money on experiences and not things.

Unleashed Brands provides these customers and their most important asset—their kids—experiences that are more than just experiences. These experiences affect the life of their kid by helping them learn the basics of science, technology, engineering, and math. Kids identify and grow in their God-given skills and hobbies. They escape the screen and the hardships of the everyday world, and they connect with other kids offline through play. This is tremendously valuable to our customers. This is being proven statistically with Urban Air's same-store sales up 19.96% year to date over 2022. The Little Gym is the same with store sales up 20.91% year to date over 2022.

What are you expecting from your market in the next 12 months? We are very excited for what's ahead. We have plans to award more than 200 new franchise licenses and open more than 100 new franchise businesses in the next 12 months. Outside of franchise development, our primary focus will be growing the systems, processes, and teams that simplify operations for franchisees so they can focus on delivering the best customer experience possible.

Are your franchisees bullish or bearish about growth and adding units? Bullish! Both franchisees and customers like our model because it works. More than 57% of our franchisees own multiple locations, and 6% of them own multiple brands in the platform. Furthermore, we have proven that customers who visit one brand within our platform are now interested in 2.36 of our other brands after we make the introduction.

PERSONAL

What time do you like to be at your desk? I'm an odd duck. So don't judge. My day starts the night before when I review my calendar for the next day and ensure I'm prepared for all my meetings. I typically go to bed before 9 and wake up around 5:30. I grab a coffee and begin by reading the business news to see what's happening, specifically around the public market, inflation, the consumer confidence index, global news around supply chain, and franchising. I then check emails and do last-minute prep for my day. I try to complete this by 6:30 so that when my kids get up I can cook them breakfast and help them get ready for school. I take my kids to school at 7:30 and head straight to the gym. I jump on the bike, Stairmaster, or treadmill and begin my first one-on-one, which starts at 7:45 and happens every 15 minutes until 8:45. I sit in the dry sauna, get dressed, and from 9:15 to 9:30 drive to the office while taking another call.

The minute I walk through the door of the office, the whirlwind begins. My day is typically filled with meetings, phone calls, and Zooms, but I schedule in time for checking emails. I have strategic times blocked on my calendar when I walk around the office and interact with the team. I believe some of the most fruitful conversations come around the water cooler or over a game of Ping-Pong. I end my day based on the sports I'm coaching for my kids and their practices.

I try to achieve synergy in my work life and home life and promote it in my teams. I do not believe in work life/home life "balance" because if you try to balance things for too long you are bound to drop the ball on one because none of us is perfect.

Exercise in the morning? Wine with lunch? I exercise every day in the morning. Not wine… but maybe a margarita on a patio somewhere on a Friday with the team!

Do you socialize with your team after work/outside the office? Absolutely. We work hard and play hard together. We are a team both on and off the field. We support each other's families and do life together, although we also know we all need some space sometimes.

For businesses that are growing, have a great service and/or product offering, and are led by a great team, there is a lot of capital available. Private equity firms are well-capitalized and ready to deploy it.

Last two books read: *Accelerate* by John P. Kotter, and *What Got You Here Won't Get You There: How Successful People Become Even More Successful* by Marshall Goldsmith and Mark Reiter.

What technology do you take on the road? Phone, laptop, AirPods.

Favorite vacation destinations: Costa Rica and Santa Barbara, California.

Favorite occasions to send employees notes: After they have achieved something hard that they thought they couldn't do. After I know they have fought hard and had a rough week.

Favorite company product/service: I am a huge fan of disruptors like Apple and Tesla.

BOTTOM LINE

What are your long-term goals for the company? I'd like to take the company public someday. I think it would be a business bucket list item to ring the bell.

How has the economy changed your goals for your company? It has not changed the goals.

Where can capital be found these days? For businesses that are growing, have a great service and/or product offering, and are led by a great team, there is a lot of capital available. Private equity firms are well-capitalized and ready to deploy it. Banks still need to lend although covenants are tighter and interest rates are higher. If you are a franchisor generating high free-cash flow, are asset light, are royalty sufficient, and have a lot of white space to grow, you should have a lot of capital optionality.

How do you measure success? For me it's not about the financial success although I am committed to delivering great value to my shareholders and franchisees. It's about our *why*. The money and stats are all great, but these are really just the scoreboard that tells us how well we are doing at accomplishing our mission. I want my legacy to be about the skills and life lessons we have taught the next generation. It's about the special memories we have made, the social engagement we have fostered, and the relationships we have built for the next generation.

What has been your greatest success? The book *The Hard Things About Hard Things* talks about being a peacetime CEO and wartime CEO. Peacetime is fairly easy because everything is going right. But in wartime, you are fighting to survive. Protecting our team and franchisees during Covid is thus far my greatest success. We had zero Urban Air Adventure Parks close because of Covid-19. We also launched Unleashed Brands and bought five world-class companies.

Any regrets? No regrets. I believe everything happens for a reason, so I have a lot of lessons learned. I've learned to listen more, trust my team more, and not sweat the small stuff.

What can we expect from your company in the next 12 to 18 months? Industry-leading performance by a group of passionate people who are going to have a ton of fun doing it! ■

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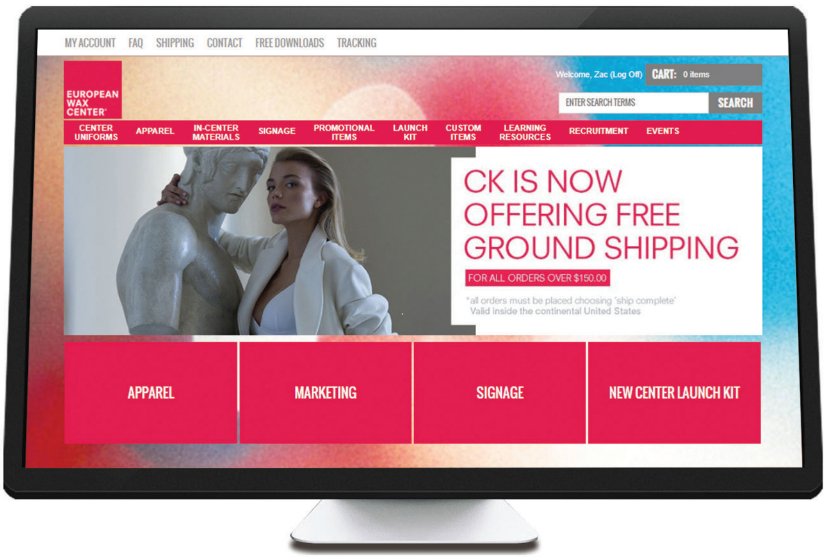

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Our technology-based programs are scalable and can expand with the community.

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TIGER PISTOL

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- Your leads STAY your leads. Unlike most other franchise portal sites, franchising.com never retargets leads for your brand with marketing for other brands.

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Rethinking the Brand

On The Border turns itself around!

Written by **SUZIE TSAI**

Operating restaurants in the 2020s has required brands to cast their eyes on just about every aspect of their businesses. From technology and menu innovation to packaging and getting products to customers, the evolution of the restaurant sector in the past 3 years has been transformative. For On The Border, this time frame has required more than refreshing our brand and operations. It has caused us to rethink them.

When the concept was founded in 1982 in Dallas, On The Border was praised for its top-tier margaritas and authentic Tex-Mex food grilled over mesquite wood and served in generous portions. However, as time passed, it was clear the brand lost its way. The food became void of the bold, craveable flavors it was once known for. We saw a significant decrease in traffic as a result. The restaurants and brand became stale in many ways.

So, we set out on a "rethink journey," and it remains a work in progress, although one in which we've already made tremendous strides. We have strategized and prioritized the changes we knew would produce the most significant impact for our customer base. With this customer-centric mindset, we let our guests be our guides and focused on analyzing feedback and sales metrics. From that research, we found three key areas we could build upon: improving our food, modernizing our technology, and strengthening our team.

Where it all began

When conducting our initial research, we found many of our longtime customers said things such as, "The food isn't what it used to be." Of course, food is why people come to our restaurants, so we quickly determined that our highest priority with this refresh was to improve the food. Change is difficult in any capacity, and optimizing the food and menu was a challenge. There was a lot of trial and error as we worked to get our menu offerings right. Thankfully, our guests provided us with a lot of feedback throughout the process to help us adjust our recipes.

We were strategic about what needed to be fixed. We removed items that were not up to par with our new standards and focused on the improvement of beans, rice, and taco meat as they are such prominent parts of every single meal. To increase the quality of every meal it was important to ensure these core ingredients were just right.

Now, more guests are raving about the improved food, noting that the flavors we used to be known for are back. We've also been finding new ways to innovate our menu throughout the year, bringing back seasonal LTOs like our Barbacoa Enchiladas and Honey-Chipotle Salmon during the brand's 40th anniversary. We also started monthly themed margaritas.

Modernizing our technology

Another element to our rethink initiative involved investing in our technology and digital platforms. An initial key component of this has been releasing our first rewards program, the Queso Club. The program, meant to be an initial test to gauge consumer interest in a rewards system, ended up being more popular than we anticipated. It was so popular, in fact, that we had to restructure the program to accommodate the high demand. We are currently working to relaunch our rewards program this spring, and while many restaurant brands are cutting back on rewards offers, we are boosting our program by offering more.

Additionally, we recently launched an app for mobile orders and a new website that features online ordering, ensuring that our takeout experience is seamless. These online ordering platforms also allowed us to better integrate with partners like DoorDash and Uber Eats. With the rise in mobile ordering, we were initially worried about alcohol sales as they are such a large part of the business, but we were able to include a system for to-go alcohol. The system accommodated our guests and increased sales.

We've also been finding ways to maximize our labor through new technologies and systems, specifically by working with virtual/ghost kitchens. This has allowed us to keep our back-of-house staff and maintain our sales and has remained a prominent part of our operations.

Strengthening our team

Bringing in new members and talent to our leadership team was a crucial part of refreshing our brand. This kicked off with the hiring of our CEO, Tim Ward, in June 2020. He led the discussions on what brand elements needed to be prioritized, providing an impartial, outside perspective on the restaurant and its operations. In addition, the team brought me on as VP of marketing to revamp our brand messaging and marketing materials. I was also able to offer a fresh view on the brand and equip us with innovative, modern strategies.

Our Vice President of Operations Ed Jarvis has been with the brand for 21 years. He has been instrumental in providing this initiative with an inside perspective, lending his knowledge about On The Border's history. Similarly, our Director of Culinary, Food, and Beverage Daniel Camp has gained a solid understanding of the brand since he joined our team in 2019 and was able to take our feedback about the necessary food changes and make the flavors and offerings better than ever. (Editor: After helping rejuvenate OTB's menu, Camp moved to Fuzzy's Taco Shop in April 2023 as Director of Culinary.)

The result

As a result of the team's efforts on the rethink initiative, guest perceptions have improved. Additionally, sales have grown with checks increasing by 10% since the start of the initiative.

As I mentioned, this journey is far from over. However, these metrics show we are headed in the right direction. We now have the foundational blocks in place with our improved food/menu, our technology, and our team to work on upgrading other elements, such as our new restaurant design prototype. ■

Suzie Tsai is vice president of marketing at On The Border.


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What Covid Has Taught Us

5 pandemic lessons for franchising

Written by **CATHERINE MONSON**

March marked the third anniversary of the global Covid-19 pandemic, and while many of us are keen to move forward, it's important for businesses to reflect on the takeaways and build on lessons learned through our shared, global experiences.

Our local community connections really matter. Often, entrepreneurs and family-owned businesses have strong roots in the communities they serve and have the ability to quickly respond to community needs. Mark and Shawn Glenn of Carrollton, Texas, rose to the occasion and went from printing graphics to providing more than 15,000 face shields to local police departments in North Texas. Barry Roufa in St. Louis created St. Louis Strong banners and donated a portion of the proceeds to the St. Louis Area Foodbank. The pandemic changed our perspective of what's an essential business, and it should be a reminder to look local first.

A network brings advantages. During the height of the pandemic, our meetings went online, and we navigated illness and limited staffing or no staffing. We also faced supply chain shortages in many areas at the same time as we were inundated with production requests. While the pandemic created a collective crisis, it also allowed us to share collective responses. We leaned on local and national networks for support. What we learned is that a strong infrastructure is important. If the pandemic taught us anything, it's that you can't go it alone, and communities can be created online as well as through local chambers of commerce and franchise networks.

We became more innovative and creative. Business owners have to be creative problem solvers. They're magicians in many ways. Sign manufacturers aren't typically asked to create protective equipment for frontline health workers, but Todd Helfer in Jacksonville, Florida, stepped up and created sneeze guards, face masks, and intubation boxes that he donated to the Mayo Clinic in Florida. The pandemic production pivot allowed Larissa Croll in Englewood, Colorado, to create desk shields for businesses and yard signs for high school and college seniors whose graduation ceremonies were canceled. Whether it was a grommet shortage or adapting to differing health ordinances, problems were solved and sourced from within and externally. We innovated because we had to, and now it's important to look back and evaluate new industries, new techniques, and new services we can provide.

It gave us a collective sense of purpose. Those managing businesses faced the same day-to-day frustrations as their customers. For businesses trying to stay afloat, banner flags or vinyl decals that read "open for business" kept the doors open and bills paid. They also reminded customers to value the importance of keeping local communities alive. It's not just us saying this. In a recent 2022 national poll, 73% of Americans said signage and high-impact graphics make places more noticeable. At a time of uncertainty, it's important to be part of a greater purpose and take pride in what you do and do it well. You may end up achieving more than you thought possible.

Amplified efficiency. So much of our initial response to the pandemic had to be reactive. As we adjusted to the immediate crisis, we began to see a need for tightening all around. We all should look at costs, staffing, wages, pricing, and square footage and determine what better practices to use moving forward.

Final thoughts

U.S. businesses should be proud of our shared resiliency. We know we were not alone in this collective effort to come together and work for a greater good. We are not alone in our shared understanding of what it means to be a community.

The storms we've already weathered together have made us better prepared and more agile for what may come. Remember, calmness is power and not overreacting is important. Our stakeholders and our communities are counting on us. ■

Catherine Monson is the CEO of Propelled Brands, a multi-brand franchise that includes FastSigns, NerdsToGo, and MySalonSuites and SalonPlaza. She is the past chairwoman of the International Franchise Association.

PASSION FOR PUPS

Camp Bow Wow's top marketing dog

Written by **KERRY PIPES**

Christy Barnes calls her clients "pet parents" at Camp Bow Wow, the Colorado-based pet care franchise with more than 200 locations in 40 states and Canada. It's a fun name for the brand's clients, but make no mistake: Barnes, the company's vice president of marketing, is serious about building the brand's awareness and driving more visits to its doggy daycare and boarding locations.

> "Staying true to your mission and operating from a place of trust and transparency allows you to make business decisions that best serve your customers."

"I have the amazing job of sharing our mission of Making Dogs Happy with pet parents across North America, creating loyal customers, and attracting prospective franchise owners," she says.

Barnes, who has been with Camp Bow Wow since 2013, has held other positions on the marketing team, including senior marketing manager and director of marketing. As vice president of marketing, she oversees brand image, leads the strategy to improve national awareness, and supports development of all marketing communications and campaigns throughout the franchise system, all in an effort to drive unit-level growth.

But she never loses sight of the Camp Bow Wow mission of Making Dogs Happy. That means helping to create a fun and safe experience for dogs while also providing peace of mind for pet parents who trust Camp Bow Wow with their furry children.

"Staying true to your mission and operating from a place of trust and transparency allows you to make business decisions that best serve your customers," says Barnes.

Describe your role as VP of Marketing. I lead the overall brand, marketing, and communication strategy and provide marketing support to our franchise owners. My objective is to build awareness of and affinity for the brand and to drive visits to our more than 200 doggy daycare and boarding locations.

What's the most challenging part of your job today? There is so much to balance! You must balance the needs of internal stakeholders, franchise owners, and customers while navigating the ever-changing marketing, technology, and consumer landscape. This requires a lot of creativity, flexibility, and listening to ensure you're creating and executing a marketing strategy that satisfies all parties while maintaining the integrity of your brand.

How has Covid-19 affected how you have led your brand's marketing efforts? Covid-19 forever changed the way people live and work. Before Covid-19, we were focused on promoting doggy daycare to pet parents who were away from home for long hours and whose dogs were bored and lonely at home. Now we must resonate with people who still work out of the home, as well as pet parents who work in the home. We've shifted our messaging to focus on the benefits to the dog's health and happiness and how our brand is a great fit no matter where you work. We also have had to adapt to customers' changing habits and need for convenience, technology, and privacy.

What are the 3 most important keys to being an effective marketing leader today? 1) *Listen.* Listen to your team, customers, franchise owners, frontline employees, the industry, and more. We can't make decisions in a bubble without understanding how it may affect various stakeholders. 2) *Adapt.* We've all heard the word "pivot" a little too frequently these past few years, but it is so important to be able to take in information and change course if there's a better way, a new trend, or a fresh idea. 3) *Track.* While technology presents many challenges, there are countless data points you can measure and track to determine the effectiveness of your marketing efforts.

How do you prepare a marketing plan and execute the strategies? The first step is to understand your goals, target customer, budget, and brand positioning. From there, you can pick and choose tactics and messaging that will reach your preferred audience and track progress toward your objectives. It helps to have a great team and partners who focus on their areas of expertise and will support the overall goals and strategy.

How do you measure marketing results and effectiveness? At the end of the day, we need to attract new customers and encourage frequency and increased spend among existing customers. Depending on the tactic, there may be a different metric that we measure to determine effectiveness. For example, in our digital marketing acquisition efforts, we measure conversions of new customers and closely track cost per conversion, conversion rate, click-through rate, and ROI. In our communications with existing customers, we track things like email open rate or service attachment rate. If we make improvements to these metrics, that will naturally lead to an increase both in new customers and in current customer engagement and loyalty.

Discuss your core consumer marketing strategies and objectives. Nationally, we are mainly focused on digital marketing and advertising so we can focus our budget on areas where we have an open camp. We run national YouTube, display, Meta, and connected TV advertising as well as maintain a strong organic content strategy. Locally, we encourage our camps to have a strong digital marketing plan as well as local community marketing efforts to build awareness and trust in their market.

How do you go about creating a customer-centric marketing and brand philosophy? It starts with first understanding your target customer: who they are, how they think, and what drives their purchase decisions. We do regular customer research to understand our customer profile, needs, and habits to reach customers in the way they want to be reached and speak to them in a way that resonates with them. While pet parents are our paying customers and ultimate decision makers, our mission is Making Dogs Happy. Therefore, our focus is

“Marketing tactics and channels may change, but knowing your customer, building a strong brand identity, and tying marketing efforts to business objectives will always remain foundational to your marketing strategy.”

entirely on providing a fun and safe experience for dogs, which gives pet parents peace of mind about their decision to trust Camp Bow Wow with their furry child.

Describe your marketing team and the role each plays. We have four distinct functions on our marketing team that work together to build our brand and support our franchise owners. We have an in-house creative team responsible for brand and visual identity, a digital team that manages all organic and paid digital marketing efforts and platforms, a general marketing team that supports franchise owner needs and national and local marketing programs, and a communications team that manages internal and external communications. Each team also contributes to franchise development marketing and marketing for our nonprofit organization, the Bow Wow Buddies Foundation.

Why is it so important for the marketing department to have a personal touch when it comes to helping the brand connect with franchise prospects? We are a very personal brand since we care for furry family members. Everyone at the company, from camp counselors to our company president, is passionate about dogs. It’s impossible not to let that show when working with prospects since we want them to share in that same passion and dedication to dogs. We provide a ton of support to our franchise owners throughout the lifetime of their camp, so it’s also important that our prospects feel the dedication and care from the beginning.

How does this help your franchise sales and development effort? Our franchise owners know that they won’t just be another number or no-name business owner. They are a part of a group of like-minded people, and they know we are here to help them be successful for the long term.

What ways/tools do you rely on to do this? We don’t outsource sales to brokers, so all our prospects really feel connected to the brand and the people in the company from the start. We also spend a lot of time getting to know prospects and allowing them to get to know us, ending in the final stage with Join the Pack days where prospects get to meet and hear from the entire leadership team and feel confident in their decision.

What do today’s prospects expect from the franchise marketing department? How do you provide it? Today’s prospects are looking for a lot of information and validation before investing. From a marketing perspective, we provide a lot of resources to allow them to really get to know us and showcase stories and testimonials from franchise owners so they trust that they are making a great decision.

How does today’s consumer and marketing data help you fine-tune your marketing initiatives? We review a variety of data to help understand and refine our marketing efforts—to know what messages or visuals are working, what channels are most effective in driving conversions, etc. We also recently completed our first-ever brand awareness study. Moving forward, this will be an annual study so we can measure overall recognition and recall of the brand.

Describe the evolving role of social media in your brand’s marketing efforts. Social media has been a big part of our brand since I began with the company over 9 years ago. We have such a fun and engaging service that social lends itself well to our strategy. Over the years, we have adapted our efforts to align with changing features, algorithms, and new platforms coming on the scene. But overall, we have remained focused on showcasing what we do in a playful, authentic way.

How do you work with other internal departments? Does technology help? We work very closely with internal teams to support their needs. This includes creative support, key rollouts of services and technology, and collaborating with other teams to help get camps open and operating successfully. We use technology to support remote collaboration and project and task management programs to stay efficient and remove silos.

Do you see vendors as business partners? Why/why not? Yes! They are an extension of our team and we rely heavily on our vendor partners to bring ideas, best practices, and support in their particular areas of expertise. We would not be able to do what we do without the partnership of our vendors.

How have marketing strategies/tools changed over the past decade? How have you adapted? There has been an ongoing shift to more digital, automation, and personalization over the past 10 years. This is only going to become more prevalent as we get more technological as a society and as customers expect faster, more personal interactions with businesses. We have provided a variety of tools and resources to our franchise owners to allow them to execute marketing strategies and tactics quickly and effectively and have amped up our corporate digital efforts and technology to better serve the tech-savvy, convenience-driven customer.

What advice would you offer to aspiring marketing executives? Marketing tactics and channels may change, but knowing your customer, building a strong brand identity, and tying marketing efforts to business objectives will always remain foundational to your marketing strategy. Start with those foundations and stay firm with them, but be creative and have fun with how and where you execute. ■

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How is technology helping you measure the return on your marketing and ad spend?

KRISTEN PECHACEK

Chief Growth Officer
MassageLuXe

Technology is essential to our ability to measure the return on our marketing and advertising spend in a variety of ways.

Our full-service internal marketing agency uses our custom point-of-sale software to follow clients brought in from specific marketing campaigns to continually update the ROI of campaigns in years past. We can then make informed decisions around promotional offers, budget recommendations, targeting, and ad sequencing.

We have also worked hard to enable online sales and online bookings so that we are able to see the true impact of our marketing dollars.

For example, through our digital advertising efforts, clients are sent to a page to purchase promotions online, which then gives us two essential key performance metrics that we use to measure effectiveness. The first is return on ad spend, which is the revenue immediately collected from the online sale. The second is long-term ROI, which accounts for the cost of the marketing, the servicing of the appointment, the immediate revenue generated, and the lifetime value of the customer. Before digital marketing, the attribution path and true return were far more challenging to uncover, which made it more difficult to encourage franchise owners to commit to a local marketing spend.

In addition to the technology that enables online promotions, we use a fair amount of technology to track the process. Franchisees are given access to dashboards where they can view their marketing performance and return. This decreases the time our team must spend hand-delivering performance to franchisees and allows for self-service marketing insights for the owners.

Technology isn't something that we just use heavily in advertising and marketing. We also apply it to our public relations. Most PR firms are focused on pushing press releases or content and then crossing their fingers for results. We take a different approach with our PR agency, which provides a platform called 919 Insights. The strategy allows us to create blog content that uses high-ranking keywords someone might use in an Internet search to learn more about the services we provide, or what it is like to own a franchise like ours. As a result of this program, we have increased our website ranking. We even had a franchisee commit to opening a MassageLuXe after finding our brand while doing research about starting her own spa business. ■

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JESSICA MARTIN
Chief Marketing Officer
Payroll Vault

Marketing and advertising are essential components of Payroll Vault's business strategy. However, measuring the effectiveness of our marketing and ad spend traditionally has been challenging. We've relied on broad metrics such as impressions and clicks to evaluate a campaign's success and are continually working to construct our ideal marketing ecosystem.

Fortunately, advances in technology have enabled our team to gain more granular insights into how our marketing and ad spend are affecting our bottom line. Here are five ways technology is helping us measure the return on our investments.

1. **Data analytics.** Our marketing team is measuring ROI through data analytics. Data analytics software allows us to aggregate and analyze data from multiple sources, including website traffic, social media engagement, and sales data. By examining this data, we can more easily identify which campaigns are driving the most revenue and make adjustments.
2. **Marketing automation.** Marketing automation tools help us streamline the marketing process by automating tasks such as email campaigns, lead generation, and social media posts. These tools provide more control over campaigns, allowing our team to test a multitude of approaches and optimize our efforts based on actionable data.
3. **Marketing dashboards.** Our marketing dashboards don't provide real-time visibility for campaign performance, so we are focused on improving that. Our existing dashboards can display data from various sources, such as social media, email, and website traffic, giving our team a comprehensive view of our campaign's effectiveness, although not in real time.
4. **Attribution models.** Although our attribution models help us identify some of the touchpoints in the customer journey that are driving conversions, this is an area of opportunity. Our current technology allows restricted views of various factors, such as the type of engagement (e.g., clicks, views, and conversions). As we continue to develop our ecosystem, we will have a more transparent understanding of which touchpoints are most effective and be able to optimize our campaigns for maximum ROI.
5. **Artificial intelligence.** AI-powered tools can easily analyze large amounts of data and provide insights into our customers' behaviors and preferences. We are just beginning to lean into this technology. Our vision is that this information will help our team create enhanced personalized and directed campaigns, leading to higher conversion rates and a stronger ROI.

Technology is playing a vital role in helping our team measure the return on our marketing and ad spend. By leveraging resources and tools such as data analytics, marketing automation and dashboards, attribution models, and artificial intelligence, we continue to buttress our ability to gain deeper insights into our campaigns' effectiveness and, consequently, optimize our overall marketing strategy to get the best results. ■

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Engaging Technology

AI adoption in franchising spreads rapidly

Written by **JACK MONSON**

Social media and other digital marketing tools were not instantly adopted by many people in franchising 15 years ago.

Other advances in digital marketing and technology also were not accepted quickly in this space. So many franchisors have dismissed new tech until the last minute that the industry has gained a reputation for being far behind the times. We hear all the time that "Franchising is slow to adapt," or "Franchising is late to the game."

Not this time. There's something different happening now. There are many people in franchising way ahead of other industries when it comes to AI. In fact, compared with other sectors I'm watching right now, our community is leading the way.

Why is interest in AI so hot right now with our colleagues? Why are so many franchisors and suppliers actively using AI to write, create, and produce? The reason is social media engagement.

The LinkedIn explosion

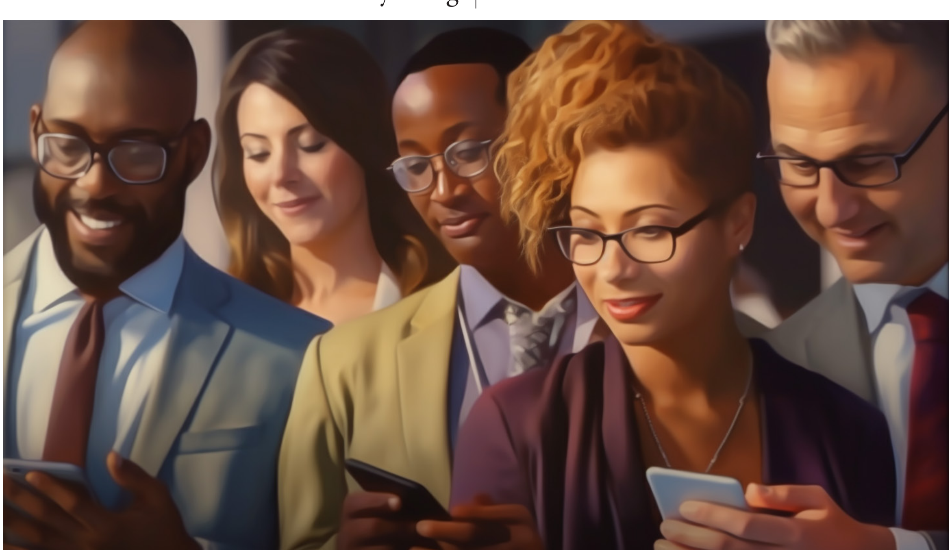
The past 3 years have seen a massive increase in business-to-business social media engagement by franchisors, specifically on LinkedIn. After a decade of slowly using Facebook, Twitter, and Instagram for consumer marketing, the franchise development community has gone all in on LinkedIn.

LinkedIn is the channel that matters now. Franchise pros can share ideas and connect with like-minded professionals to expand their networks. Perhaps it was the pandemic lockdown that left fewer options for networking. Many turned to LinkedIn as the only source of attracting new business opportunities. Fast forward to 2023, and franchise pros can't get enough LinkedIn.

AI draws a crowd at IFA

I had the pleasure of moderating a session at the 2023 IFA Annual Convention. Joining me were Patti Rother, VP of franchise development at The Now; Robert Mitchell, head of franchise development at Ultra Pool Care Squad; and Dan Monaghan, founder of Clear Summit Group. (To listen to the session, visit the Social Geek website.)

Initially, Dan and I had been working on other digital topics for a session at the convention, including the Metaverse, NFTs, and more. By January, our social media feeds were full of franchise pros sharing questions about AI. It was obvious to us and to the IFA that a shift to AI was warranted.



We were amazed at the turnout. Hundreds of people flooded the ballroom in Las Vegas. By the time we started speaking, the standing-room-only crowd poured out into the lobby area. We had assumed it would be a reasonably popular panel. But there was not much opportunity to spread the news of this last-minute entry. Word of mouth was limited, and there was no way to advertise an individual session. Why did so many people know about this? Social media.

We had spent the previous few weeks sharing LinkedIn posts about the session with our contacts. We recorded podcasts about AI potential for franchisors and shared those podcasts on social media. We engaged with others on LinkedIn who were talking about AI and suggested that a session on AI would be valuable at IFA. It worked well because of the engaging nature of our colleagues, and we spent a total of $0.

Get ready for similar sessions at FCXC in June, FLDC in October, and at other franchise events! If you're speaking on a hot topic, spend as much time on LinkedIn as you can spreading the word over the preceding month.

Resources for franchise professionals on social media

There are so many videos, blogs, and podcasts being shared every day geared toward helping professionals use AI. But so much of this material is not helpful for or specific to franchise brands. Here are a few places to find help with a franchising angle from industry franchisors and suppliers:

1. Dan Monaghan's Unlocking the Potential of Chat GPT is a guide to help franchise pros stay ahead.
2. Stay in Your Lane's AI-Mazing Resource shares ideas, prompts, examples and more for franchise brands: (There is also a free biweekly live online event!)
3. Social Geek's AI Update is a monthly audio podcast with the latest news specifically for franchise professionals featuring Robert Mitchell and me. ■

Jack Monson is the owner and host of Social Geek, home of the top podcasts in franchising, including The Franchise News Podcast and Social Geek Rock Stars. He is also the CEO of Brand Journalists and has been helping franchisors and franchisees with digital marketing for 15 years.

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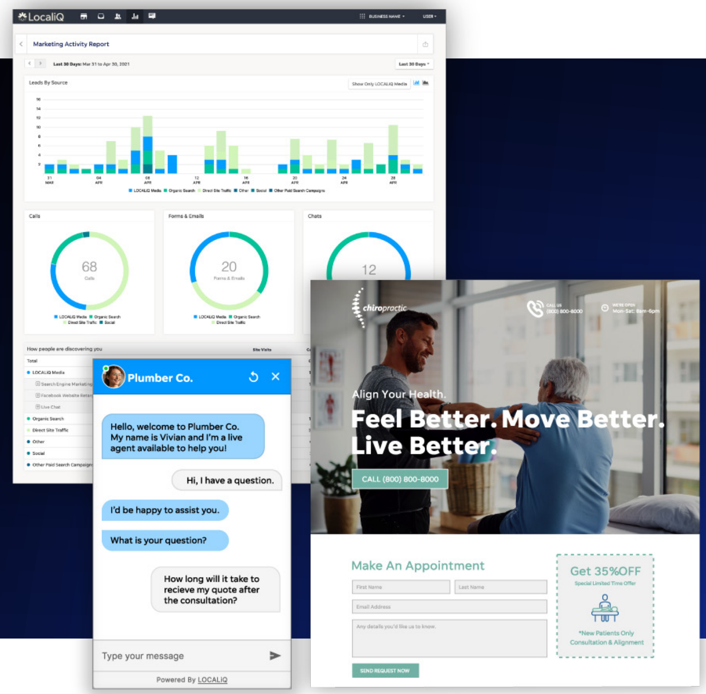

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CAN (A)I HELP YOU?

BOOSTING THE CUSTOMER AND EMPLOYEE EXPERIENCE

Written by **JOHN DIJULIUS**

While artificial intelligence (AI) is already improving the customer experience, it will dramatically alter the employee experience over the next decade. Tedious tasks that once took agents hours to complete, such as data entry or replying to repetitive questions, will be relegated to computers.

Along with its ability to imitate human behavior and communication, AI will affect the employee experience in numerous ways. It will boost satisfaction and help employees create a best-in-class customer experience. AI will make the role of customer service agent far more rewarding and enjoyable.

"When you put the employee first," says Harald Henn, CEO of Marketing Resultant, "it can help turn the modern contact center workplace into a synergistic powerhouse where people produce consistently incredible results. Who is going to go out of their way for your customer? An employee who is underpaid, overworked, and doesn't feel appreciated? Or an employee who's treated like a valued member of the company?"

Henn says AI can support employees and make them happier by eliminating tedious search tasks and finding relevant information in a fraction of the time. In addition, AI chatbots will handle those simple, monotonous tasks in real time, freeing the employee from the tedium of repetition and creating a more positive employee experience.

Help with problematic customers

AI also can help reduce employee stress caused by angry or demanding customers. During peak days or seasonal rushes, answering the same question 8,100 times a day doesn't make any employee happy. AI will eliminate transactions such as delivery status questions, freeing customer service reps to focus on the more complex, rewarding tasks that require human attention and deep understanding of customer needs.

In her blog, "How AI Will Improve the Employee Experience This Decade," Kaila Krayewski writes, "The capabilities of AI can go far beyond automating simple, repetitive tasks if we consider how AI can work together with humans to create a team of what are essentially super employees. AI will also help guide employees through more complex customer journeys."

Krayewski says AI will be a supportive and cooperative ally to agents, offering advice, initiating related processes, and updating CRM data. "As chatbots and virtual agents are adopted more widely and become better," she says, "automation rates will increase, escalation rates will decrease, customer service will become more efficient, and everyone will be happier."

Henn predicts that "AI chatbots will identify a customer's intent and, based on what the customer needs, pass this request on to robotic process automation." At times, AI will successfully take care of requests without an employee being aware of it. "This will give a lot of extra time for employees to do what human beings can do best: engage with a customer, empathize, and build a strong relationship," Henn says.

Ignore AI at your peril

Diane Brady, assistant managing editor at Forbes, says employers owe it to themselves to incorporate AI into their businesses as a way to eliminate future labor shortages. "Those who choose to ignore the power of new AI tools may not last long enough to get to that point," she says. "There will be new jobs created, and many that could be permanently disrupted, perhaps reviving debates about universal incomes and pressure for skills training."

Brady says she has been impressed by generative AI, which uses algorithms that generate fresh images, sounds, and content that dazzlingly—and often disturbingly—end up as good or better than what humans can create. The most heralded of the bunch thus far (not to mention the fastest-growing consumer Internet application in history with more than 100 million users) is ChatGPT, she says. Launched by OpenAI in November 2022, the chatbot is editing research papers, passing business school exams, composing music, and proving to be a terrific customer-service rep, coder, marketer, and therapist to all.

ChatGPT offers detailed responses and articulate answers across many domains of knowledge. Its factual accuracy needs work, but ChatGPT has many applications, including the ability to mimic human conversation; write and debug computer programs; compose music, teleplays, fairy tales, poetry, song lyrics, and student essays; answer test questions (sometimes better than the average human test-taker); emulate a Linux operating system; play games; simulate an ATM; and offer nuanced answers to queries.

ChatGPT doesn't "trust" every query it gets. When offered an untrue premise about Christopher Columbus arriving in the U.S. in 2015, it acknowledged the "lie" and framed the answer as what might have happened if Columbus had arrived in that year. Unlike its predecessor, ChatGPT can "remember" things previously said in a conversation and tries to reduce harmful/deceitful responses. Queries get filtered through its parent company's technology to eliminate racial and sexist prompts.

Doing more with less

There is no arguing that machines and AI are faster, cheaper, and more efficient than humans for a range of tasks. They also make fewer mistakes than humans. When a bank started using chatbots to handle more than 1.5 million claim requests each year, it found that the work of 85 bots was equal to the output of 200 full-time human employees at only 30% of the cost. The future of automation cannot be denied. What is your company doing to prepare? ■

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

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MEGA-ZORS!

SCALING THEIR WAY TO SUCCESS

Written by
**HELEN HARRIS,
KERRY PIPES,
EDDY GOLDBERG**

D'WAYNE TANNER

VP of Franchise Development, Belfor Franchise Group

TONY NICHOLSON

VP of Franchise Sales & Development, Self-Esteem Brands

If you needed a massage or a home repair just a few short decades ago, your first thought most likely did *not* involve hitting the Yellow Pages in search of your friendly neighborhood franchisee.

In fact, says D'Wayne Tanner, vice president of franchise development at Belfor Franchise Group, most people back then thought of franchises only when they wanted a burger, pizza, or waffle. "Now, it's much broader than food, and I think that understanding has finally hit the common person," he says.

Tanner, who got his start in franchising as a McDonald's owner, says he is amazed by how many offerings franchising today has in the home services space. Belfor currently has 13 brands. (Neighborly, formerly the Dwyer Group, is the acknowledged giant in the home services sector with more than 30 brands globally!)

As franchising has become more popular over the years, the trend has been for ever-larger franchisors to offer multiple, often complementary, brands under a single corporate umbrella. With the trend toward ever-larger franchisees operating multiple brands, today's owners are more financially and operationally capable of expanding their portfolios through diversification and cross-branding.

It has to scale

So what's behind the multi-brand franchisor trend? For Tony Nicholson, vice president of franchise sales and development at Self Esteem Brands, it begins with scalability. "You want to be able to buy a brand that is worth 80 cents and then take it to be worth a dollar," he says. "There has to be some potential. You don't want to buy a tapped-out brand."

He says franchisors looking to build a portfolio look for brands that can scale. Initially, that search considered only brands with 100 or more locations, but he says that's changed. "We now are going after some of the scrappier brands that may not have 100-plus stores already in place," he says.

According to Nicholson, offering complementary brands allows customers of one brand to conveniently consider another of Self Esteem's seven personal services brands. For instance, a customer can enjoy getting a wax and a workout.

"Both of those services help people feel better about themselves and fit into our goal of improving the self-esteem of the world," Nicholson says. "It has to be a brand that fits nicely into the kind of genre you have. It has to be something that's positive and something that can scale."

The power of scale

Jim Holthouser, CEO of Focus Brands, also appreciates the importance of scale and offering complementary brands to both potential and existing franchisees. He's clear that when it comes to related concepts there's strength in numbers.

"Once upon a time, all the brands that are part of Focus Brands today were standalone, individual brands," he says. "But when you

RACHEL SOUTHARD

President, Emerging Brands

pull all these brands into a single portfolio, there's even more power. And if there's one axiom in business, it's that scale wins."

Along with scale, he says, there's the additional muscle a brand can flex in the supply chain to drive down costs at both the corporate and unit levels. The benefits of scale also include the ability to continually improve back-office and customer-facing technology across all their brands.

Operating multiple brands provides multi-concept franchisors with another advantage: the ability to combine the experience and expertise at the very top of the organization chart with that of those in charge of each brand in the Focus portfolio.

"There's a whole level of power that sits above a portfolio of brands," Holthouser says. "For example, Focus Brands creates a center of excellence and brings in one really powerful leader our brands would never have access to as standalone entities. This is yet another example of the power you can extract with a portfolio."

"One of the things about coming into private equity is having an investment to grow the company, which means we're going to put a lot of investment behind bringing in new franchisees and expanding the business."

The power of complementary brands

Before a brand can scale through organic growth or acquisitions, it's essential to have a solid infrastructure in place. Angela Paules, CMO at Buzz Franchise Brands, which offers four home service brands, explains how the company became a multi-brand franchisor in 2015 when it acquired Mosquito Joe.

"When we looked at what we were doing with Mosquito Joe, we tried to determine what was unique about it that helped it grow so quickly," she says. "We felt that what we were doing with that brand could easily be replicated for other businesses."

Paules says the company has taken a much slower approach than some other multi-brand franchisors. Today, she says, the company's sweet spot is in the emerging franchise sector helping young brands scale.

New brands that multi-franchisors acquire don't always have to be in the same industry to be successful. For instance, Paules says that when Buzz Brands learned that the founder of British Swim School was seeking a partner to build an exit path, its leadership was interested in exploring the opportunity. At face value, a swim school business wouldn't appear to have much in common with the home services brand portfolio Buzz had built with Home Clean Heroes, Pool Scouts, and Grand Illuminators.

"We started looking at it and realized that, despite the fact it wasn't a service business like our other brands, it carried a lot of the traits that are the reasons we like home service brands," she says. "And one example of that is focusing on services rather than products." She also points to British Swim School's lower investment model. "That's one thing that you'll see true of all of our brands currently, and British Swim School is no different."

The power of playing well together

Rachel Southard, president of Emerging Brands, says there's always a learning curve and a set of unique challenges when integrating any two or more companies.

Pre-acquisition, each of the company's nine brands had its own way of doing things and a dedicated customer base. So, when considering a brand acquisition, she says, the one thing her company looks at is what made that brand successful.

"We don't want to change the things that are working," Southard says. "We don't want to change the elements of a business that are its core identity and that are what have made it so successful. But it is important that we are setting them up for scale."

One way to achieve that scale is to bring in outside investors who can provide capital for acquisitions and improvements, along with an additional set of skills and expertise to help the business expand. "One of the things about coming into private equity," she says, "is having an investment to grow the company, which means we're going to put a lot of investment behind bringing in new franchisees and expanding the business."

Belfor's Tanner says that one of the most significant advantages of multi-brand models is the opportunity to leverage the strengths of each individual brand and spread them across the other brands where applicable. "Whatever was working at a certain brand," he says, "we can take those lessons and drive them upstream to our shared services leadership team and then disseminate them down to the individual brands."

Having several brands under one roof, he says, provides the opportunity to share resources across the brands and reduce costs at the home office. If there's any challenge, Purple Penguin DIGITAL

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JIM HOLTHOUSER

CEO, Focus Brands

he says, it would be ensuring that each brand maintains its identity post-acquisition.

Nicholson says Self Esteem quickly learned that two of its brands, Anytime Fitness and Basecamp, had different consumers, demographics, and commercial real estate needs. What worked well at Anytime Fitness didn't work as well at Basecamp, so the company had to figure out what worked best for each brand's consumers.

Southard says that when Emerging Brands takes on a new brand, they make sure it has solid foundations in place, a strong FDD (and Item 19 in particular), and good unit-level economics, which they can then use as part of the story to recruit new franchisees.

Tanner says that acquiring a new brand generates excitement for franchisees across all of Belfor's brands, creating an early burst of internal growth. "They see a brand we've fallen in love with, and they, in turn, fall in love with it," he says. "So initially, there's a bit of growth that comes from those efforts.

"Once upon a time, all the brands that are part of Focus Brands today were standalone, individual brands," he says. "But when you pull all these brands into a single portfolio, there's even more power. And if there's one axiom in business, it's that scale wins."

But over time, once that wanes, we see a lot more growth on the external side."

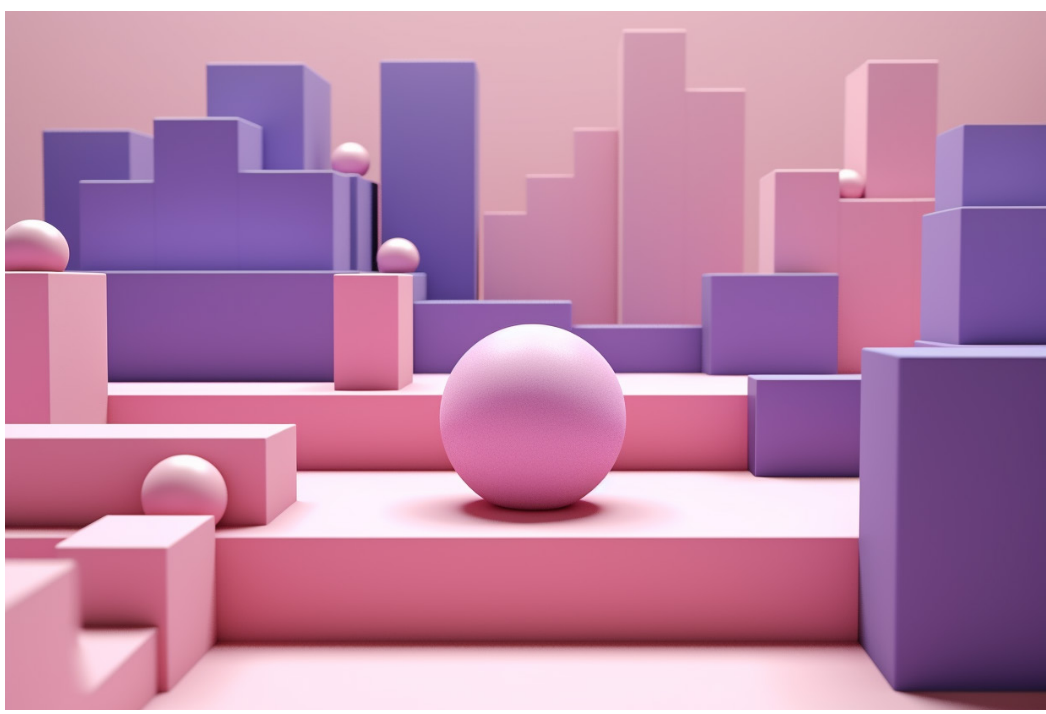
Multi-brand franchisors agree that their prospects and franchisees don't have to be home services experts to own a home services franchise. Nor do they have to be health gurus or chefs to own a fitness or restaurant brand. "There's room for all kinds of different franchisees," Focus Brands' Holthouser says. "We're looking for good partners, people with integrity, people with good net worth, and people we feel will represent our brands well."

Nicholson says Self Esteem Brands looks for candidates who are coachable and passionate about the journey they are about to embark on. "If you have a business head on you, have passion, and are moldable, that's far more important than what you know," he says. "The benefit of franchising is that we can take anyone who has a background in marketing, sales, operations, retail, or leadership. We can take that 'clean slate' person and essentially mold them into a successful franchisee."

The wave of the future

Multi-franchisor brands are on the rise because, with infrastructure, economies of scale, and more, these mega-franchisors can offer value to many different kinds of people, from customers to franchisees to suppliers.

"It's crazy how many portfolio companies exist now," Southard says. "Over the past 12 or 13 years, you can see private equity companies getting into franchising, and more portfolios coming in on both the franchisor and franchisee sides. I think it's the future of franchising." ■



Tech Trends

How 5 brands keep abreast of new technologies

Written by **COLLEEN MCMILLAR**

Michael Haith, the CEO of Teriyaki Madness, has been making this prediction for a few years: In the not-too-distant future, when delivery orders come in, his restaurants will prepare and package the food, and then drones will zip the meals over to customers while the orange chicken is still hot and the egg rolls are still crispy.

It makes sense that drone delivery piques the interest of Haith and many others. Any technology that increases convenience for customers can't be ignored in the rough-and-tumble world of restaurant franchising or any other kind of franchising.

The digital revolution has kicked into overdrive for franchisors and franchisees alike. From spiffed-up apps and detailed analytics to emerging artificial intelligence, all of it is being deployed in the fight for consumer dollars and loyalty. When drone delivery becomes widely available, it's a safe bet it will be widely used.

But if you think Haith and his franchisees are waiting for that day to make their customers' experiences as quick and easy as possible, you'd be sorely mistaken. Teriyaki Madness is constantly looking for ways to use technology to make operations more efficient and to respond to customer needs, he says.

"One of the things about Teriyaki Madness is we understand that the restaurant business is just as much about technology now as it is about food, because it's really about an experience—what experience our customers would like to have ordering their food."

Michael Haith
CEO, Teriyaki Madness

"If we can create a really high-quality product and know exactly when our customers want it, we can cook it as fresh and as quickly as possible and get it in the hands of the customer with as little friction as possible. That's really our goal," he says.

Toward that end, Teriyaki Madness, which has 130 locations, is testing something new. The company has incorporated technology from the navigation app Waze into its own app. If all goes well, he says, "We can actually see our customer driving to our shop, so we'll know when they are pulling into the parking lot and be standing out there with their food and put it in the back of their car. It's actually faster than a drive-thru," he says.

"It also provides us visibility into the third-party delivery drivers, so we know when they're coming," he says, which means drivers don't have to sit there and wait for the food. "It makes them more money, and it makes them more efficient," Haith says.

Although the new technology is still in the pilot stage, franchisees are thrilled, he says. "One of the things about Teriyaki Madness is we understand that the restaurant business is just as much about technology now as it is about food," he says. "Because it's really about an experience—what experience our customers would like to have ordering their food."

Staying atop of tech

Franchises that don't stay on top of technological advances are going to fall behind very quickly. The pandemic made that clear, says Carl Bachmann, president of Smashburger. He took on the role just months before coronavirus became a buzzword. Previously, he'd served as chief operating officer.

"Before 2019, I made a lot of changes to the brand. We had really updated it from a food-quality standpoint, from a menu standpoint what our offerings were," he says.

However, to get the word out about the new-and-improved Smashburger, he needed to increase brand awareness. While many of Smashburger's competitors had settled on a single third-party delivery service (usually to secure a better rate), he decided to go with multiple delivery services. As it happened, his timing could not have worked out better for the franchisees.

"Once the pandemic hit, our dine-in business dropped from 65% of our business to 1%," he says. "But we had the aggregators and the ability to do takeout and delivery, which led us to pivot from a primarily dine-in model to increased takeout offerings." This, he says, contributed more than a quadruple (436.7%) increase in digital and call-in orders.

While other restaurants scrambled to secure delivery, Smashburger's franchisees were sitting pretty. Bachmann focused on speeding up technological upgrades. "One of the things that we realized was that our website was clunky," he says. "It was inefficient, and we needed to stabilize first. Reliability, consistency, and stability were first and foremost." With its extensive integration with third-party platforms, Olo helped the brand increase efficiency in the restaurants and improve customer service, he says.

In 2020, the organization recorded the highest same-store sales growth in history. That is, until the next year, when the brand surpassed that number. "It was really a result of us adjusting the business quickly to new technology and digital transformation," Bachmann says. "It saved our business. It challenged us. It was expensive to do, but the options were pretty limited. So it was really important for us. And because we did it early and quickly, it actually became a competitive advantage. I also believe that it leveled the playing field against our competitors."

Smashburger continues to look for other ways technology can help its franchisees meet consumers' demand for convenience. This year, the company, which has more than 250 locations, debuted a virtual drive-thru at a corporate-owned store in Houston. The old drive-thru model served its purpose well, he says, but the days of doing it that way are numbered.

It once was groundbreaking to offer customers the option of driving up to a menu board to place an order, to funnel them to a second window to pay, and then to a third window to collect their food, he says. "There are three steps in that process. It takes a long time and it creates a backlog of cars."

Smashburger teamed up with the digital ordering system Curbit to create its virtual drive-thru. After customers order through the Smashburger app, Curbit's system allows

Siddharth Desai

Chief Digital & Technology Officer,
Hand & Stone

them to track their order from start to finish, dramatically reducing—if not eliminating—wait times.

"We communicate to the guest and tell them exactly when to show up at the window," Bachmann says. "And now, instead of three steps in the process, there's only one, and that one step is maybe 15 or 20 seconds. You pull up to the window at the exact time we tell you, we hand you the food, and off you go. That's a virtual drive-thru, and you're going to see more of that."

For cities and towns, it's a better setup because it's not a traffic generator, he says. For franchisees, the benefits are clear. It speeds up service, improves accuracy, and reduces labor costs. It also gives franchisees more flexibility because virtual drive-thrus can be operated on less real estate, in different-sized buildings, and in different types of shopping centers. At the same time, the virtual drive-thru keeps customers at the forefront.

Restaurants that aren't paying attention to their customers' evolving habits are going to struggle, Bachmann says. "We know how innovations like these will only enhance the customer experience. We are implementing a blend of technology, both developed in-house and licensed now. Going forward, we hope to focus on automated voice ordering, social media ordering, automation in stores, QR code menus, and AI-based order and marketing messages."

Businesses today must create "a kind of omnichannel approach to reaching consumers," he says. "I think it's the responsibility of a franchisor to close that gap and create those opportunities for franchisees."

How long before there are robots working in the kitchen at those virtual drive-thrus?

"We still rely on the human being doing it and having the passion around putting out a great product," he says. "I do think those things are coming, but I don't think they'll ever replace a passion for making a product."

Looking for each customer's "why"

Of course, it's not just restaurants that are adapting to an increasingly digital world. Technology allows businesses to answer two questions that are fundamental to their success: 1) Who is purchasing from your business? and 2) Why did they purchase? says Michael Browning Jr.

Browning is the founder and CEO of Unleashed Brands, a company that focuses on youth enrichment through its 1,300 units that are open or under development across six brands: Urban Air Adventure Park, The Little Gym, Premier Martial Arts, Class 101, Snapology, and XP League. Data for all of Unleashed's customers are fed into a data lake. Then the company profiles them on more than 3,000 demographic and psychographic attributes.

"Too many times in business, people try to be everything to everyone. And when that happens, they get so watered down they really can't make an impact," Browning says. "The Millennial family is who we're advertising to. We're talking to them about why they should be a part of our enrichment platform. Knowing why your customer purchased from your business, using technology and data, helps you talk to them about the why instead of the what," he says.

"We don't sell karate; we sell discipline, self-respect, respecting authorities, and courage. We don't sell gymnastics; we sell getting your child socialized in a group, listening to their coach, balance, agility and, again, courage. That's what we sell to our consumers because we know that's the 'why' behind them spending their money on their kids in our programs."

It's also the type of information that gives its franchisees a competitive edge, and it's a key selling point to prospective operators, he says. All franchisors, if they're doing it right, should, he says, "be providing the systems, processes, and team that simplify

Joe Malmuth

Chief Franchising Officer,
Batteries Plus

operations for franchisees so they can focus on delivering the best customer experience possible. We know that our franchisees deliver amazing enrichment services. What we want them to be doing is teaching the gymnastic and martial arts classes, interacting with the families on the floor at Urban Air Adventure Park, and coaching kids on what the right college is for them—not spending the majority of their time on back-office administrative functions. That's where technology comes in."

The company built a website that acts as a command center and steers customers of one website to Unleashed's other brands. All the information that parents need on those brands is in one place, so there's no need to bounce between websites and apps. A kid who ages out of The Little Gym might be interested in Snapology. Kids and parents who enjoy Premier Martial Arts might like XP League.

"This technology has been wildly successful for franchisees because when a customer (typically a Millennial family with 2.23 kids on average) signs up for one of our brands through the technology, we're able to educate them about how our other brands can supplement and provide additional enrichment," Browning says.

The company also is closely following improvements in AI technology that allow for dynamic pricing. In other words, the busiest times could cost more and the least busy ones less. Browning predicts dynamic

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Carl Bachman
President,
Smashburger

pricing will be a big deal in franchising and that more businesses will use that strategy in the future.

"What I'm talking about is that in franchised service-oriented businesses pricing will change based on demand," he says. "For example, at Urban Air everybody wants to come at 2 p.m. on Saturdays, so that's our peak time. With artificial intelligence technology in pricing, we can help consumers offload into other times of the day by giving them a discount on price that they may appreciate, while giving the people who really just want to come at 2 p.m. on Saturdays the ability to do that. It's going to cost them more, but it will also make it so there's not as much of a crowd there, so everybody has a good experience. I can see dynamic pricing driving higher customer satisfaction in the service industry of franchising in the near future."

(For more about Browning and Unleashed, also see his CEO profile in this issue.)

Riding the cutting edge

The technological enhancements provided by franchisors are wide-ranging. Batteries Plus is leveraging databases in a new way to improve customer service and save time for franchise operators, says Chief Franchising Officer Joe Malmuth.

"When a customer walks through the door or picks up the phone and calls one of our franchisees and says, 'Hey, I think I need a car battery, but I don't know what battery to get,' all we have to do is say, 'Give me your license plate,'" Malmuth says, adding that a digital tool will "actually look up the make, the model, the year, and what battery is most appropriate for that car at two or three different price points. It kind of takes the guesswork out."

Batteries Plus is leaving no stone unturned as it analyzes where technology can help improve efficiency. Recently, to aid in order fulfillment, the company invested in RFID for its warehouses and distribution centers.

"In all aspects of our business, we're looking at and seeking out opportunities to improve our processes in ways that speed things up, improve accuracy, and improve margins to ultimately benefit the success of the business owner," Malmuth says.

Technology has proven helpful in franchise development as well. With more than 700 locations throughout the U.S., it's not hard to find a Batteries Plus store if a prospective franchisee wants to check out a store before committing. But it was time-consuming to check out multiple units. Not anymore.

"We're able to pull up a 3D virtual walkthrough of a number of our stores. The advantage to that is we can give multiple real-world experiences to potential investors in a store setting," Malmuth says. "It really helps to augment the experience of those franchise candidates instead of other scenarios where they might get to visit one location because it's the one down the road or in a neighboring territory. We can look at 15, 20, or 30 locations instead of the one and help them with that process."

At trade shows, company officials hand out a branded virtual reality viewer similar to a Google Cardboard device. "It fits over your face almost like a snorkel mask, and you can slide your cellphone into that and pull up a certain type of video feed and have a 3D, interactive experience inside a location," he says.

This year, roughly 45 Batteries Plus stores will open, and there are another 150 in the pipeline, he says. Lately, much of the tech the franchisor has developed and deployed is aimed at making it easier for multi-unit operators to manage their portfolios of Batteries Plus stores whether that's inventory, sales databases, or forecasting.

"We're trying to stay as much ahead of the curve or on the cutting edge of that technology as we can," Malmuth says.

Michael Browning
Founder & CEO,
Unleashed Brands

Digital spa

Not long ago, Siddharth Desai was named chief digital and technology officer for Hand & Stone Massage and Facial Spa, which has more than 550 locations in the U.S. and Canada. He and members of his team work hard to keep up with the latest tech trends.

"Every part of the operation has some technological element to it, whether it's training, software, point-of-sale systems, social media, mobile apps, or digital payments," he says. "At the end of the day, staying on top of that will help us attract not only customers for our franchisees, but also will attract franchisees to the brand."

Still, it's not easy. Tech advances are growing exponentially. That's why it's important for franchisees to bear in mind that this moment is not about just keeping up with the latest tech tools.

"A lot of it has to do with a cultural mind shift more than a specific technology or tool," Desai says. "One of the ways we are leveraging our data platform here is using it to better understand our guests, not only in their behaviors but in how they interact with our brand both digitally and in the spa—and then tapping into the data on how we can have our employees operate more effectively and efficiently," he says.

"If we focus on our customers, we have an opportunity to mine that data to better interact with our customers how they prefer, whether it's through a digital channel or in the spa." ■

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No Item 19?

Don't let that stop you!

Written by **ANDREW SEID**

One of the most important sections of any FDD is the Item 19 Financial Performance Representation, or FPR. This is the portion of the document where a franchisor can include the type of information that can best answer the most common question you'll see in the franchisee recruitment process: "How much money can I make?"

However, Item 19 is the one section of the FDD the franchisor does not have to include. To many business people with no previous experience in franchising, the optional nature of Item 19 is a complete surprise that seems like it must be a mistake. "How could I invest in this business model without knowing what my potential ROI could be?" is a legitimate question that has led many would-be franchisees to avoid franchising completely.

The merits of the Item 19 optionality have been debated for decades. Over time, the trends of whether or not to include an Item 19 FPR have ebbed and flowed. Before the financial crisis of 2007–2008, more than two-thirds of franchisors opted not to include one in their FDD. However, as franchisees have become more knowledgeable and sophisticated, there has been an increased expectation for Item 19 information to be included. The majority of franchisors have responded by including at least some information, and many include a great deal. Some brands now include full P&L statements for each location, which some view as overkill.

Yet a significant number of franchisors still don't include any data in their Item 19. How do they overcome what could seem to be such a glaring red flag for a candidate?

Reasons for no FPR

There are both legal and business considerations when determining whether to leave this type of information out of your FDD. One major reason is that existing corporate locations are significantly dissimilar to the types of operation included in the franchise offering. For example, a QSR client had been operating corporate-owned locations that were 900 s.f. with limited seating, but franchised locations were intended to be upward of 2,500 s.f. with larger dining areas. It may not be reasonable for a potential franchisee to use the data from smaller corporate stores to base their decision on whether to become a franchisee of a significantly different model of operation.

In many situations, the data a franchisor has available may be incomplete or not comparable with a franchisee's likely experience. A franchisor also may lack confidence in the data. Emerging franchisors' salaries or other nonrelated costs are often run through the books of their corporate-owned businesses, leading to a situation where the data would have to be significantly "retrofitted" to be relevant to what a potential franchisee might experience. Even experienced franchisors can struggle to get accurate data from their franchisees that they would be able to use to craft an Item 19.

Recruitment with no FPR

Not including any data in your Item 19 is not a death knell in franchisee recruitment. Franchisors have been successfully awarding franchises without including FPRs for decades. Emerging brands in particular can find themselves in situations where there are legitimate reasons to keep Item 19 blank.

There are a variety of ways to overcome this potential obstacle. First and foremost, don't try to avoid the issue. The more you try to hide or avoid addressing a potential red flag in your franchise offering, the faster you will lose the trust of your candidate and kill a potential deal. Even if you were able to get a candidate to commit without addressing an issue like this, it could become a major point of contention later if the franchisee believes the franchisor tried to hide something during the recruitment process.

Our advice for clients is to highlight any potential red flags and come prepared with an explanation or plan to deal with any that make a candidate uncomfortable. Your honesty and directness will help immensely in establishing the trust that is key to any successful franchise relationship.

Before 2007, many franchisors were able to successfully recruit franchisees without an Item 19 FPR. They instead focused on the excitement around the brand or industry they were engaged in or the experience and accomplishments of the management team. When you can't point to specific performance data for your brand, look to industry statistics that reflect positively on the type of business or the potential for growth and success.

Bring candidates in to experience the brand firsthand. A candidate's decision to commit to a brand is often based more on emotion than on simple ROI calculations. Particularly for emerging brands with limited franchising experience, you will want to target potential franchisees who are already invested in your brand and want to be a part of its success. Your customers, suppliers, and other interested parties are often better recruited through emotion than through financial data.

Last, and most frequently used, there is the validation process. Strongly encourage candidates to contact existing and former franchisees, who are required to be listed in Item 20 of the FDD. You aren't able to control what a franchisee will say to a candidate, so there are certainly risks, but they will be able to get a lot more data from that process than you would be able to give them. This also underscores the importance of managing your existing franchisee network in a way that engenders goodwill and trust with your franchisees. If an existing franchisee is struggling but feels you have been honest and supportive, that type of validation can be even more effective with a candidate than stories of runaway success. ■

Andrew Seid is senior consultant at MSA Worldwide. Contact him at aseid@msaworldwide.com or 860-604-9189.

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What tech trends are you seeing in franchise development, and how are you responding?

PATRICK CUNNINGHAM

Vice President of Development
Little Caesars

Technology can drive operational efficiency at the store level and, if used properly, also can help franchisors meet rapidly changing consumer preferences, allowing brands to become more adaptable.

Consumers want to access their favorite products how and when they want with convenience and accessibility more important than ever. Brands are leveraging technology to streamline operations to meet these needs. They are adding new advancements to their business model to create simplified back-of-house processes and enhanced pickup and delivery systems. This not only helps us create a more seamless experience for guests, it also benefits operators by reducing labor and driving better margins.

Strengthening our proprietary technology is a key part of our growth strategy that helps us maintain a competitive edge. For example, the launch of our Pizza Portal pickup was a huge step forward not only for the brand, but also for the pizza industry. We created the QSR industry's first heated, self-service mobile pickup station. This has improved the various ways guests can access their favorite products without sacrificing quality. Our store lobbies are equipped with multiple Pizza Portals. These offer consumers onsite self-service so they can quickly receive their food, whether they've ordered online, through the app, or through third-party delivery.

Because digital sales are an important component of QSR brands' revenue, franchisors focus heavily on the continuous evolution of their mobile apps. Personalized, customizable, and accessible experiences are key. Chains do whatever they can to go the extra mile and implement these features within their digital ordering processes. As a result, our mobile app allows customers to choose their favorite menu item or create their own pizza using the custom pizza builder. This allows users to virtually make their pizza by dragging and dropping their choice of toppings onto their chosen crust. Guests are then notified via the app when their order is ready and can bypass the counter to grab their food directly from the Pizza Portal pickup with a three-digit PIN or personal QR code. When the code is entered, a door unlocks, and guests can grab their hot, fresh pizza.

Moving forward, we'll need to continue prioritizing technology to ensure we're meeting the expectations of today's consumers. Tech can be a key differentiator for a brand and can help provide a competitive edge for franchisors within their respective industries. ■

> *Strengthening our technology-driven capabilities is a key part of our growth strategy. We are implementing advances across our portfolio of brands and positioning them to thrive in this rapidly evolving industry.*

JONATHAN THIESSEN

Chief Development Officer
Home Franchise Concepts

In today's world, technology must be a cornerstone of every business, especially franchises. Consumers expect to get the products and services they are looking for in a quick and convenient manner. Technology is a key component in meeting rapidly changing consumer preferences and driving operational efficiency and revenue.

The home service industry has seen significant growth in the past several years. Keeping up with the demand using innovative improvements has proven to be a challenge we have successfully taken on. As the home service industry continues on an upward trajectory in 2023, there are a few key trends franchisors should keep in mind to successfully meet the needs of consumers.

- Rise of on-demand services and elevated customer experience. Customers expect friendly and knowledgeable providers in addition to quick and efficient assistance. This year, we'll see more franchises offering on-demand services where customers can book with just a few clicks on their phone. Franchises that can deliver a consistently positive customer experience will be able to differentiate themselves in a crowded market.
- Digital innovation with virtual reality. Home service franchises must continue to evolve and work to perfect their immersive and interactive experience capabilities, which we've implemented with Bath Tune-Up's exclusive design tool. From online booking systems to mobile apps, customers expect home service franchises to have an online presence that simplifies operations. Beyond that, virtual and augmented reality are frequent requests from customers. Their desire to use virtual reality technology stems from the need to visually picture their space with new kitchen appliances or a bathroom remodel.
- Integration of smart home technologies. Smart home technologies, including window treatments and appliances, are becoming increasingly popular. Brands should integrate these technologies into their offerings to provide a more comprehensive and convenient service to customers. The integration of technology will allow homeowners to control and monitor their home from anywhere, a significant trend in the home service industry we're leaning into with our Budget Blinds brand.

Moving forward, we'll continue prioritizing technology to ensure we're meeting the expectations of consumers and leveraging it as a competitive edge in today's market. Strengthening our technology-driven capabilities is a key part of our growth strategy. We are implementing advances across our portfolio of brands and positioning them to thrive in this rapidly evolving industry. ■

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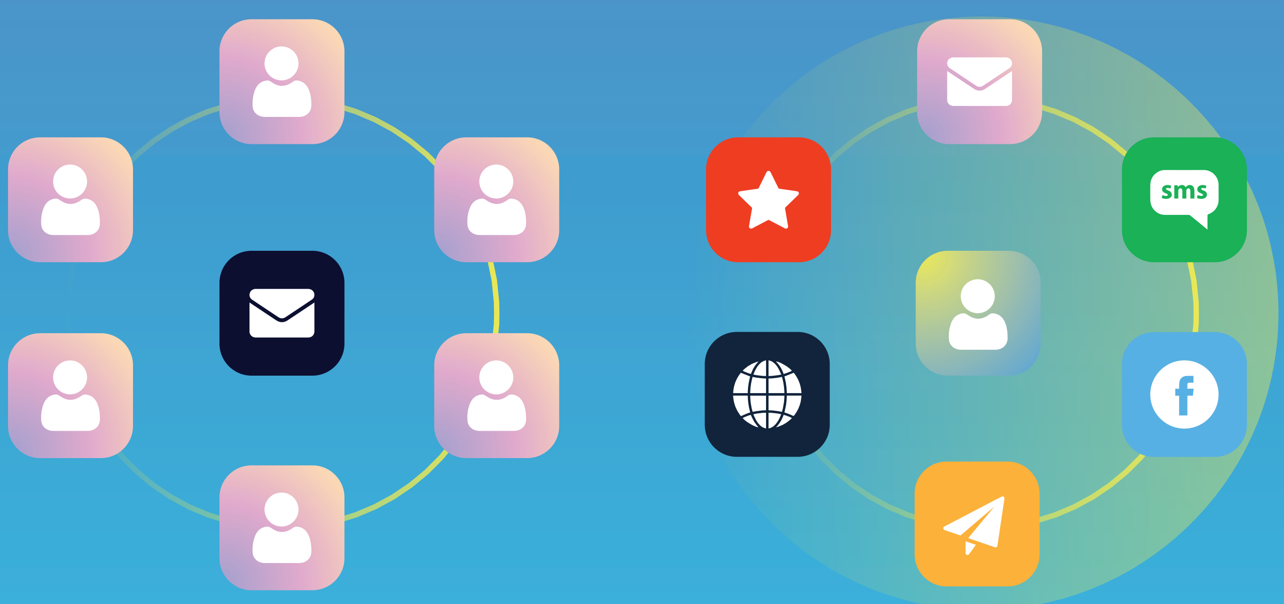

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Franchising Ascendant

IFA's 2023 Economic Outlook report

Written by **MATT HALLER**

The IFA recently released the highly anticipated 2023 *Franchising Economic Outlook* report in partnership with FRANdata. The big news: Franchising continues to grow despite acute economic challenges that have affected all aspects of daily life and every sector of the U.S economy. Following the dynamic post-pandemic rebound experienced across franchising, 2023 trendlines will be positive, but they will follow a more moderate trajectory.

Despite the macroeconomic challenges we know all too well, the resilience of the franchising business model is on display in this report. Franchise brands run lean, adapt to change quickly, and remain on the leading edge of innovation in consumer product and service delivery.

Many of the trends highlighted in the report grew from pandemic challenges, and I'm glad to say that the positive adaptations that empower sales and business growth are here to stay. Technology partnerships, the use of robust digital insights to increase lifetime customer value, and a focus on the hybrid online and in-store experience will continue to fuel franchising growth this year and into the future.

Overall, the number of U.S. franchise establishments will increase by almost 15,000 units in 2023 to 805,000 units, an increase of 1.9%. Accordingly, franchising will add approximately 254,000 jobs this year. With a 3% growth rate, total franchise employment is forecasted to reach 8.7 million.

From $825.4 billion in 2022 economic output, the total output of franchised businesses (the measure of total economic activity in nominal dollars) will increase by 4.2% to $860.1 billion in 2023. And franchises' GDP share of the overall economy will remain stable at 3%. Compared with 2022, franchises' GDP (the monetary value of all the finished goods and services produced within U.S. borders) will grow at a slightly slower pace of 4.2% to $521.3 billion in 2023.

The growth of service-based businesses and QSRs is expected to outpace the rest of the franchising sector, which is still recovering from the pandemic to a greater degree. Personal services and QSRs are expected to grow by 2.5% in 2023. Given real estate challenges and weaker consumer spending on discretionary items, full-service restaurants and lodging will see slower growth in 2023 of 1.1% and 0.8%, respectively, and real estate is expected to experience negative growth of –0.5%.

Regional data

The economic growth of franchising in each state will remain varied based on labor availability, infrastructure investments, and business climate. The ten fastest-growing state franchise markets are Texas, Illinois, Florida, Georgia, Tennessee, North Carolina, South Carolina, Arizona, Colorado, and Indiana. In 2023—as evidenced by the top 10 list—the growth in the Southeast and Southwest regions that witnessed positive migration trends, large industry investments, and strong labor markets over the past several years will outpace the rest of the country. While each region is expected to grow in 2023, the growth in the Northeast region will be muted at approximately 0.8%.

The Southeast region is the largest franchise market with approximately 234,000 total forecasted units in 2023 employing 2.6 million people and providing $250 billion in total output. This region is expected to increase at a rate of 2.2%, which is greater than the forecasted growth rate of national franchised businesses.

Customer data

Omnichannel presence will continue to fuel growth for franchises. It's another outcome of the pandemic that has helped brands discover a digital-first approach to reaching customers. While we've all become accustomed to placing online orders, brick-and-mortar locations aren't going anywhere. Our report data shows that brands with a physical and online presence have an edge in building brand awareness and customer loyalty. Digital insights have helped brands build customer loyalty and learn more about their customers' behaviors. Technology integration at the point of sale has led to a more efficient and seamless customer experience.

Stores with broader product offerings to keep customers shopping for longer times and to increase customer touchpoints also will continue to grow. And an increase in technology and operational partnerships that would otherwise be very expensive to develop in-house—for example, partnering with delivery services—will continue to provide value for franchise owners and highlights a key benefit of operating an independent business as part of a larger franchise brand.

Deeper dive

The data and trends highlighted in the 2023 *Franchising Economic Outlook* report are promising as the franchise sector continues its ascendant trajectory and outstrips pre-pandemic growth levels. But the top-line data tells only part of the story. Download the full report at franchise.org for detailed analyses of each franchising business line and a deep dive into the 2023 macroeconomic landscape. You'll also find additional data and trends on employment and wages, consumer spending and confidence, household wealth, interest rates, and small business lending. ■

Matt Haller is CEO and president of the IFA.

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Jason Pierret
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GET WITH THE TECH!

IT'S A BRAVE NEW WORLD FOR TRAINING

Written by **EVAN HACKEL**

Technology has affected the world of franchise training in amazing ways. The advent of virtual leader-led training delivered by Zoom and similar platforms has changed the face of franchising. Forward-thinking franchisors and franchisees today are using many other technological innovations taking place in training.

As Brannon Dreher, a learning strategist at The Learning Network, puts it, "Virtual reality training is no longer just a cool idea. It is real and surprisingly cost-efficient." He is absolutely right.

Let's explore some of the tech-based innovations taking place in training in 2023 and see how they can be tapped to improve the quality of your training programs.

Virtual reality e-learning

It is now not only possible but economical to do training using virtual reality simulation, enabling a learner to actually experience the training. A cook can learn to make food in a virtual kitchen. A service tech can learn to change brake pads using a simulation. And a customer service employee can interact with simulated customers.

Virtual reality live training

Live training can have some or all members of a training class attending virtually through simulations so they feel they are actually present alongside other students.

Learning management systems

Multi-branded LMS solutions can now enable a franchisor to create generic or customized content and share it with all their brands. Hierarchies, which allow multi-branded franchisors to see all their franchise systems at one time, allow each LMS to stand alone to deliver and monitor training in new and powerful ways. It's also possible to aggregate and look at all your brands or stores simultaneously. Reporting interacts with real business data, such as sales, Net Promoter Scores, and more. This makes it easier to measure the impact of training.

Learner journeys

All aspects of training—live, e-learning, mentoring, and coaching—can now be bundled into one simple, easy-to-track journey for each employee. These experiences, which are ideal for new franchisees and new hires, can be extended to executive training. If done well, these learner journeys can provide knowledge it usually takes employees years to learn on the job.

Artificial intelligence (AI)

The creation of job descriptions, operations manuals, and just about any written document can be easily created using products such as ChatGPT. This article was in fact created with the support of AI. If you usually hesitate about preparing materials because you don't like to write or lack the funds to hire writers and editors, the new chatbots can eliminate those barriers. Language translation will also become easier and better through AI.

Interactive operations manuals

Today, operations manuals can be interactive, looking and feeling much like websites. They can introduce training at the right points within the document. Plus, they can be easily updated and fully integrated into learning management systems.

On-demand training

Access to training no longer has to be tied to the LMS. Links and QR codes can bring people directly to the training they need, when they need it, from any document.

Final thoughts

We have landed in what is truly a "brave new world" of training driven by technology. Exploring new options is exciting, invigorating, and empowering. Don't stand on the sidelines. I encourage you to ramp up your curiosity about everything taking place in training today and get involved. ■

Evan Hackel, a 35-year franchising veteran, is CEO of Tortal Training, a leading training development company, and principal and founder of Ingage Consulting. He is a speaker, author, and host of "Training Unleashed," a podcast covering training for business. His latest book is *Ingaging Leadership Meets the Younger Generation*. Contact him at evanspeaksfranchising.com, follow him at @ehackel, or call 781-820-7609.


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Opportunity and Danger

Consumers evolve and CRE debt looms

Written by **DARRELL JOHNSON**

Things are getting interesting. Government programs got us through the pandemic, but now they are winding down. The next big crisis has not revealed itself, but we have plenty of significant problems to consider as franchising plans for the next few years of growth. There are two topics I would suggest franchisors focus on to prepare for the next 2 years. I'll start with the more obvious one, consumer behavior.

After 3 years of largely forced change, consumers are starting to show some consistent patterns. From a financial perspective, they are in decent shape, as the first graph suggests.

Note that deposits remain well above pre-pandemic levels across income cohorts. The clear implication is that consumers across all income segments are positioned in the near term from an *ability* to spend perspective. However, that leaves their *willingness* to spend. Near-term attitudes about business conditions and the labor market are trending downward. Notably, the "Present Situation" line in the second graph has been range-bound for the past 2 years, while consumer expectations have continued to decline.

Consumer uncertainty suggests you put considerable emphasis on how your target demographic is adjusting and be prepared to move much more quickly than in the past with marketing and product changes as those adjustments show themselves. In 2023, consumers will be unpredictable and fickle. Brands will have to carefully consider the factors that affect shopping behaviors and respond accordingly. Even as many customers reduce spending, brands have an opportunity to keep customers engaged through multiple channels.

It's pretty clear brands will be fighting for consumer discretionary dollars in a different environment than we've seen over the past decade or so. There will be no rising tide of consumer spending raising all brand boats for the next year, two, or longer. The 2021 spending pop is in the rearview mirror; the next year or two will see slow growth and possibly a recession.

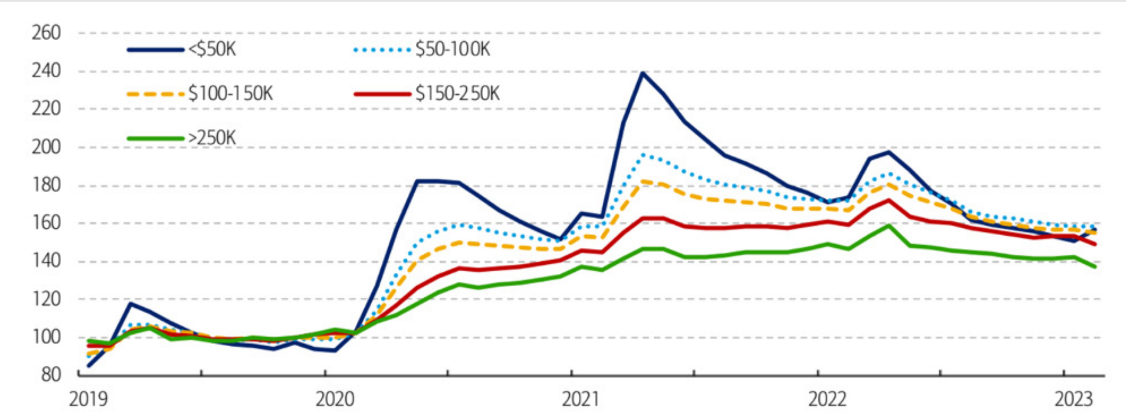
The pandemic ushered in an unprecedented level of channel switching and brand loyalty disruption. A whopping 75% of consumers tried new shopping behaviors, with many citing convenience and value. Four in 10 (39%), mainly Gen Z and Millennials, deserted trusted brands for new ones. That restlessness is reflected in the fact that many younger consumers say they are still searching for brands that reflect their values.

In this environment, staying on a growth trajectory requires a granular understanding of customers, creating moments that matter for them through personalization. Advanced analytics can help identify reliable demand markers to determine where and how fast your customers are moving. Use forecasting models to locate pockets of growth, and act with speed to capture demand, win new customers, and reinforce the trust and loyalty of existing ones.

Wall of CRE debt looms

The second topic to pay particular attention to is real estate. Two issues are converging that will make site selection as important as marketing for franchisors.

Monthly Median Household Savings & Checking Balances by Income for a Fixed Group of Households (2019 = 100)



Source: Bank of America internal data. Monthly data includes those households that had a consumer deposit account (checking and/or savings account) for all months from January 2019 through February 2023.

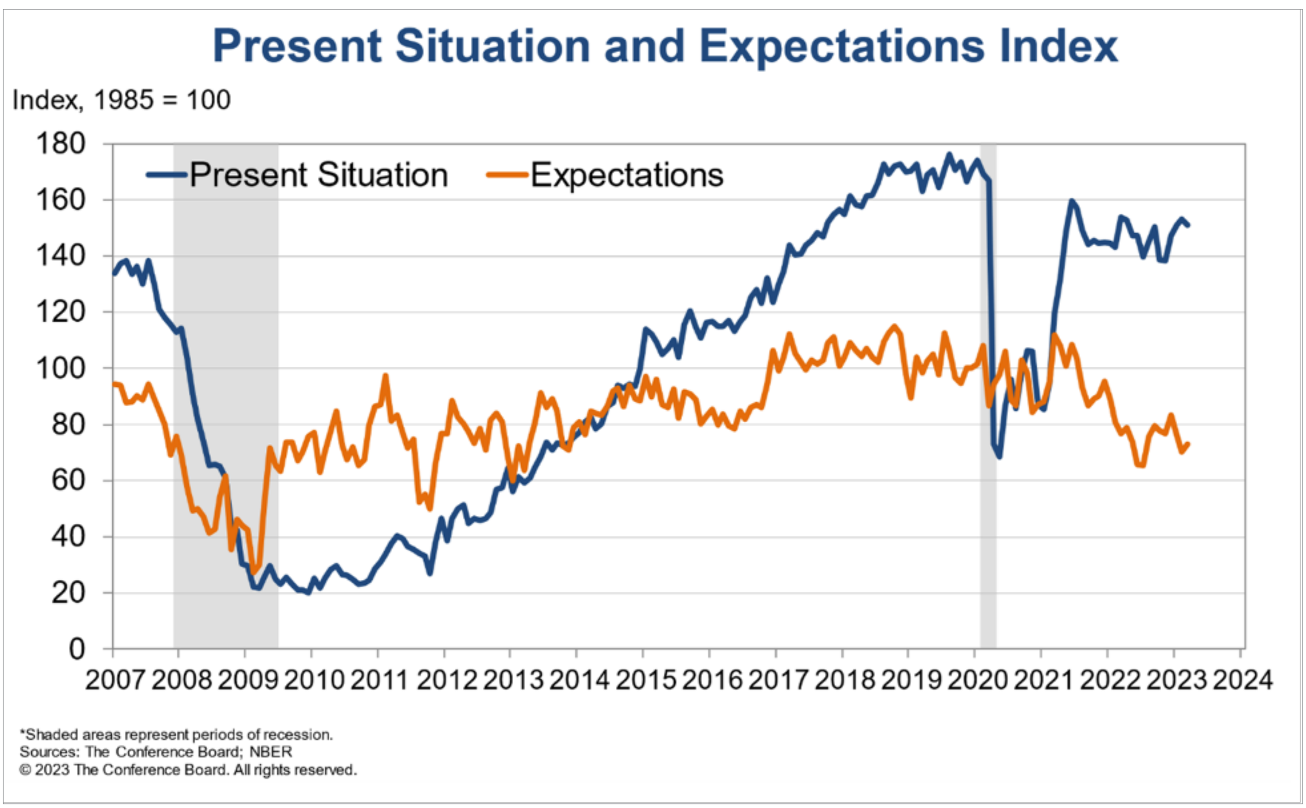
- **Issue 1.** Almost $1.5 trillion of U.S. commercial real estate (CRE) debt comes due for repayment before the end of 2025. Whether it's a retail space, office building, mall, or warehouse, the big question facing these borrowers is, Who is going to lend to them?
- **Issue 2.** Small and regional banks were the biggest source of credit to the CRE industry last year. As much as 70% of the other CRE loans that mature over the next 5 years are held by banks, many of them small and regional banks.

This wall of debt is set to get worse before it gets better. Maturities climb for the coming 4 years, peaking at $550 billion in 2027. All the development we have witnessed over the past 10 years anticipated a continuation of a low-rate environment. We no longer have that and are not expecting a return to single-digit financing rates during the window in which this mountain of debt will come due. Morgan Stanley estimates office and retail property valuations could fall as much as 40% from peak to trough, increasing the risk of defaults.

That leads to another unintended consequence for franchisors. Banks are moving quickly into conservative mode. Shoring up and expanding your banking relationships will be necessary in the next 24 months. We're already getting requests to help banks sort through the expected portfolio performance of brands and adjust their sector and brand focus. You'll need to know what we know about how credit boxes are changing and how portfolio adjustments are being made.

Dynamic consumer changes that are now with us and the coming repricing in the CRE industry will create growth opportunities. However, among the dozen functions franchisors are responsible for in the franchise business model, three functions—beefing up your site selection team, enhancing your marketing team's consumer data analytics, and staying on top of lending relationships—must be front and center for you to realize your growth plans.

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.



TECHNOLOGY INTERNATIONAL

Views from around the globe

Written by **WILLIAM EDWARDS & KEITH GERSON**

We reached out to international franchise specialists to learn what technologies franchisors are using to enhance their customer experience, franchisee relationships, and improve franchisee profitability.

Domino's Pizza is using an AI chatbot called Dom to take orders, track deliveries, and answer questions, and an AI system called Dom Pizza Checker to scan pizzas to ensure they meet quality standards.

McDonald's is using an AI platform called Dynamic Yield to offer customized recommendations based on factors such as time of day, weather, and location, and an AI voice assistant called Apprente to take orders at the drive-thru.

7-Eleven is using an AI platform called Revionics to analyze customer data and demand patterns to adjust prices and offers in real time, and an AI system called Vera to automate its ordering process and reduce waste.

Starbucks is using an AI system called Deep Brew to power its rewards program, mobile app, and personalized recommendations, and an AI assistant called My Starbucks Barista to let customers order by voice or text.

Internationally, franchise organizations are benefiting from technology by adopting solutions from suppliers such as FranConnect, which has partnered with Lumin.ai, a tech platform that uses conversational AI to convert leads into sales opportunities; and has introduced an AI conversational bot that reaches out with SMS text messaging to franchise sales leads to book appointments, nurture leads, send reminders, and follow up with candidates who don't show for booked appointments.

The view from down under

"Technology remains a key component of the franchisor's value proposition to their franchisees and acts as a multiplier upon value crystallization at exit. That's why it's imperative for franchisors to stay abreast of technological advances," says Barry Money, Group CEO of Australia-based DC Strategy Franchise Consultants.

"The labor shortage and very high minimum wage in Australia continue to affect franchise businesses. AI and machine learning are enabling real-time decision-making, automation of routine tasks, and facilitation of scheduling, rostering, and supply chain optimization. AI software such as ChatGPT is also complementing the content generation and marketing function. In short, more technology, fewer humans," he says.

"Australian businesses have always been pretty keen on analytics. But predictive analytics is now taking great swaths of historical data and, combined with other technologies such as machine learning, turning that into business opportunities such as cross-selling, customer satisfaction initiatives, and demand and supply optimization."

The view from across the pond

"Franchisors can greatly enhance the business efficiency and marketing success of their franchise through technology and AI-driven software. To get the most out of ChatGPT franchisors should continuously provide feedback to improve its performance over time. It is important to note that AI is not a magic solution, but rather a new asset to your balance sheet," says Alan Bradley, franchise digital marketing strategist at The Franchising Centre in the U.K.

"One such software for franchisors is from Social Places (South Africa). It manages all aspects of social media on platforms such as Google, Facebook, Instagram, Twitter, and LinkedIn. In addition, it links with review software Trustpilot to handle reputation, brand social pages, reviews, ads, and much more via AI, making it a one-stop shop for franchisors looking to improve their digital marketing performance," he says.

"Another technology is from Ziik (Denmark), which helps digitize franchise operations manuals in real time with video and other interactive features. Franchisors can use it to improve the training process for franchisees, ensuring they have all the resources they need to succeed. The search functionality allows users to rid themselves of lengthy email trails and WhatsApp groups. Its early success and affordability speaks for itself, having secured McDonald's in Finland as a customer."

The view from Singapore

"After Covid, there is a push from franchisees toward franchisors regarding technology as a key to maintain and attract customers. In Europe and in Asia, we see more brands investing in technology, not only in apps but also in other technologies. CRM technologies are increasingly requested by franchisees to monitor their customers," says Olivier Guerrero, CEO at Franchise World Link in Singapore.

"Another request from franchisees is for self-ordering kiosks, where McDonald's has been setting the standard. Customers love to use these kiosks, but also expect counter staff to be polite, friendly, and efficient. This has helped franchisees become better at handling operations and offering quick service," he says.

"In large cities with millions of visitors from abroad, a self-ordering kiosk helps customers read the ingredients in their native language. Self-ordering also ensures the order is accurate and served with speed. Japan and Korea have hotels with kiosks for check-in, allowing franchisees to free up staff to serve customers better."

William Edwards is CEO of Edwards Global Services (EGS) and a global advisor to CEOs. EGS offers a complete international operations and development solution for franchisors, based on experience, knowledge, a team on the ground in more than 40 countries. Contact him at bedwards@edwardsglobal.com or +1-949-224-3896.

Keith Gerson, president of franchise operations at FranConnect, has more than 45 years of executive-level expertise creating and building leading franchise systems. His most recent book is "The Franchise Book of Mentors." To learn more, visit franconnect.com.

RECRUITMENT EXCELLENCE

Are you a master recruitment manager?

Written by **ART COLEY**

Recently I was asked, "What traits, distinctions, and/or principles do the very best managers and leaders of franchise recruitment exhibit or practice?" Put another way, "What's the difference between average and great leadership?" After some reflection, I reached out to friends and cohorts in the franchise industry and talked internally with our Recruitment Operating System (ROS) team and community seeking insight.

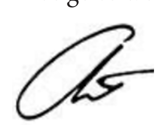
There was a common spirit in the feedback that great franchise recruitment managers and leaders eat, live, and breathe certain common philosophies and distinctions. To find out where you are, take a quick self-assessment. Ask yourself, "What on the list below do I resemble? What are my gaps? Am I average, above average, or a master?" Recruitment managers and leaders who consistently deliver winning results do the following on a consistent basis.

- Believe deeply in their brand, business model, and the company vision.
- Conduct efficient and effective one-on-one weekly candidate pipeline meetings with each recruiter.
- Know when, how, and why to engage with the right candidates going through the process.
- Focus on what is going to happen vs. what has already happened.
- Manage the recruitment process vs. trying to force results and outcomes.
- Properly use confrontation and difficult conversations to hold team members accountable.
- Know and understand the FDD from cover to cover.
- Practice root cause analysis vs. sitting on the merry-go-round of treating symptoms.
- Have a solid internal compass and intuition on actions to take when faced with a challenge.
- Treat new franchisee recruitment like it's their own business.
- Believe it's *team* first, not *me* first. They are passionate about being a hero maker vs. being a hero.
- Are consistent with their meetings. They are on time. There is always an agenda. Agreed-upon outcomes and actions are always established before the meeting ends.
- Pay attention to data and trends weekly. They know recruitment's current state better than anyone else. They know what's working and not working and are fanatical about actions to get on target and stay on target.
- Won't compromise on doing what is required. They instill trust and confidence in the recruitment team, executives, and ownership.
- Forecast 90 to 180 days out and adjust accordingly. Most recruitment managers are looking 30 days out at best, so results rarely change because what's going to happen is already in motion.
- Understand the difference between a target and a forecast and use each accordingly.
- Use data to precisely diagnose a problem or gap. They know how to prescribe the correct mixture of managing, coaching, training, and teaching.
- Are committed to the process of recruiting franchisees and are fanatical about not deviating from that process. Not having a process or not sticking to one that's already in place is a guaranteed way to not hit targets and cause a recruitment problem.

But wait, there's more!

It was incredibly tough selecting the list above from the feedback. There are many more that could have been added. After more than 30 years of working in, managing, leading, and now training and coaching franchise recruitment teams, I can confidently say that how an individual manages and leads franchise recruitment is *the* difference with results.

Let's go to work! ■



Art Coley is CEO of CGI Franchise. CGIF was founded in 2015 with a mission to help franchise companies implement and execute repeatable and sustainable recruitment systems using the Recruitment Operating System. His team, based in Temple, Texas, works with brands worldwide. Contact him at acoley@cgifranchise.com or 281-658-9409.

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