FRANCHISING WORLD

MARCH 2015

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IFA Attorney Member Directory
p. 46

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DEPARTMENTS

FRANCHISING WORLD

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P. 76 Congratulations CFE Class of 2015 Graduates

IFA INTERNATIONAL FRANCHISE ASSOCIATION

FRANCHISING® Building local businesses, one opportunity at a time.

IFA'S MISSION

The International Franchise Association protects, enhances and promotes franchising.

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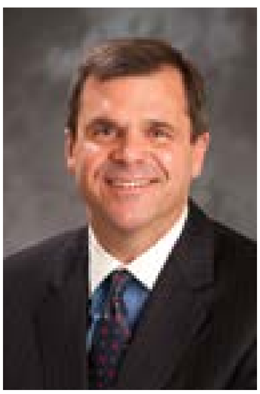
Leveraging the Courts to Protect the Franchise Model



Protecting the franchise model is without question the top priority for IFA. Through our manically focused and very aggressive advocacy efforts, we work tirelessly each and every day to impact laws and regulations at the municipal, state and federal levels to both protect and advance franchising. An important element in our toolbox is to take legal action when necessary against regulations that, if enacted, would negatively change the basic and proven tenants of the time-tested franchise model. Over the years, IFA has participated in multiple legal cases that could have severely impacted the franchise model, most notably by filing amicus briefs to lawsuits that challenge certain regulations at the state level, and through our work as members of several coalitions we have also successfully filed suits against many federal laws.

The political agenda of a highly organized and well-funded campaign by the Service Employees International Union (SEIU) is causing us to consider the use of the courts more aggressively. With the growing threats against the franchise model, the IFA's Strategic Plan now includes an objective focused solely on managing legal responses and developing proactive legal engagement to defeat illegal or unconstitutional government action against the franchise industry. For example, last year, IFA and five franchisees took an historic step in filing a lawsuit against the City of Seattle for discriminating against franchisees in their new $15 minimum wage law, which is scheduled to go into effect this April. Oral arguments in the preliminary injunction hearing are scheduled for early this month in the U.S. Court of Appeals for the Ninth Circuit in Seattle where I will join our legal team as they argue the facts supporting our case. We have high hopes that the court will see the error of the Seattle City Council and the mayor in their blatant attempt to discriminate against hardworking franchisees.

And now, legal action against the National Labor Relations Board (NLRB) may be needed as well to protect the franchise model as we currently know it. The NLRB continues its steady pursuit of scrapping the long-standing and well-established definition of what constitutes a "joint employer." For close to 50 years, statutes, regulations and court rulings have provided clear guidance on what defines a joint employer: the franchise owner is the one who recruits, hires, fires, trains and pays the staff; and operating under a branded system with national advertising campaigns and consistent products and services; the franchisor supports the franchisee and does not get involved in any labor decisions.

This arrangement was well understood until last year when the NLRB, considering two complaints, decided to change it. One case involves a union that is seeking to engage in wage and benefit negotiations with subcontracted employees at a recycling facility in Milpitas, Calif. owned by Browning-Ferris Industries. The other involves complaints filed at several McDonald's restaurants. Once again, the NLRB general counsel opted to treat McDonald's USA as the joint employer along with the individual franchise owners. The impetus for the NLRB counsel's reasoning is that technology has led to uniformity and control of employment conditions. So, from the NLRB's ill-advised and politically motivated point of view, if there are golden arches outside, then the people inside work for McDonald's USA.

While the NLRB is at the forefront of this trend, other agencies, notably the Department of Labor, reflect a similar inclination. In fact, Dr. David Weil, the wage and hour administrator at DOL, is the intellectual godfather of the move to create a new definition of what constitutes a joint employer to reflect what has been termed "today's industrial realities" about indirect control of workplace conditions involving subcontractors or franchise employees.

The actions of federal government officials whose intention is to promote workers' rights will have significant and negative consequences for employers and employees alike. The immediate threat is to the franchise model. Brand providers and local franchise owners will have to revisit whether an arrangement so fraught with uncertainty and diminished control for individual business owners makes sense. You can expect some businesses to close, others to be taken over by corporate entities and still others to never open at all. Considering that we project some 12,000 plus new franchises to open and create nearly a quarter million jobs this year, after creating 235,000 new jobs in 2014, it is easy to see how a collapse of the franchise model could affect individuals and the economy more broadly.

IFA, franchise owners and others with an interest in putting the brakes on the NLRB's attempt to change the definition of joint employer have formed a coalition called Coalition to Save Local Businesses. Our strategy is to fight back with a comprehensive, integrated, multi-pronged approach that uses all the tools in our toolbox to do whatever it takes to protect the franchise model, whether it be a legal response, a legislative and or regulatory response, or in some cases, both, supported by our ongoing, and extremely proactive media relations efforts.

I respectfully urge you to join the coalition to help us develop an army of advocates, strong in numbers, to help us make our case. Go to www.SaveLocalBusinesses.com to sign up and to learn more about our efforts.

With your help, we are hopeful that we will prevail upon policymakers to leave the current joint employer definition intact to preserve the franchise model as we currently know it. However, if we are not successful in attaining a legislative fix, as a last resort, we will ensure that the franchise industry has its day in court where we will vigorously challenge the government's attempt through a pro-union government entity to break the franchise model.

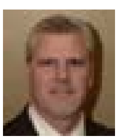
PEOPLE

Richard L. Brophy, Erin M. Florek, Dione C. Greene, James M. Heinen Jr., Tamara J. Keller, Christopher R. LaRose and Jonathan D. Valentino were named **Armstrong Teasdale LLP** partners.

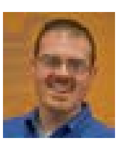
The Dwyer Group, holder of several trade service brands, acquired Five Star Painting, a commercial and residential franchise with 77 locations across the United States and Canada. **Mary Kay Liston,** who previously served as vice president of operations for Mr. Appliance at The Dwyer Group, has been named president of the new acquisition. **Matt Phillips,** previous president, will assume the new role of chief operating officer.


Schulte

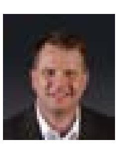
Luke Schulte was named franchise development manager of **Fish Window Cleaning Services.**


Vinson

David Vinson assumed the role of president and CEO, **Robert (Bob) Kirschner** was promoted to chief operating officer, and former Vice Chairwoman **Janice Vinson** was promoted to chief financial officer of **Kids 'R' Kids Learning Academies.**


Bailey

Matt Bailey was appointed vice president of operations of **Kono Pizza USA.**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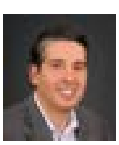
Miller

Scott Perry is now CFO and **Dan Miller** has become CIO of **Sport Clips Haircuts.**

GROWTH

9Round, a growing kickboxing gym franchise, signed a franchise agreement with Saudi Arabia-based Al Munif Holding Company for the development of 100 clubs in seven Middle Eastern countries over the next 10 years.

Anytime Fitness opened its 100th club in Canada.

Carl's Jr. entered into an agreement with Mitsuuroko Group Holdings Co. Ltd. to be the exclusive developer to launch its restaurants in Japan. Mitsuuroko will develop 150 restaurants over the next 10 years with the first in Tokyo in 2015.

Doodle Bugs! Children's Centers, a leading education-based child care provider, is celebrating 23 years in business.

Dunkin' Donuts, signed a franchise agreement with the Mexican subsidiary of Sizzling Platter LLC, a U.S.-based Dunkin' franchisee, to begin developing restaurants throughout Mexico.

Celebrating its 39th anniversary and the opening of its 2,000th hotel, located in Bellevue, Wash., **Hampton Hotels** will soon reach another global landmark by opening a new hotel in Hawaii – giving it locations in all 50 U.S. states, as well as the District of Columbia and Puerto Rico.

Hilton Worldwide and **DoubleTree by Hilton** opened The Hollis Halifax – a DoubleTree Suites by Hilton Hotel, the brand's first property in the Canadian province of Nova Scotia.

Pie Five Pizza Co. awarded up to 55 franchise units to **John "J.D." Draper** and **John Draper II.** The father-son team plans to introduce the fast-casual pizza concept throughout Michigan, as well as to cities in Wisconsin, beginning in 2015. J.D. Draper is a member of the IFA board of directors.

Rita's Italian Ice awarded a franchise and area development deal to husband-and-wife team, **Mike and Elynn Malone,** co-owners of Nebraska Ice LLC, with plans for more than 14 store locations in Nebraska, including Lincoln, Omaha and other surrounding areas. The expansion increases Rita's national footprint to 27 states. The first store will open in Lincoln in July 2015.

Sport Clips Haircuts continues its fast-paced growth with the openings of its 1,300th location - a three-way tie as stores opened simultaneously in North Charleston, S.C.; Woodstock, Ga.; and New Providence, N.J. With locations in 49 U.S. states, this marks 152 store openings for the franchise in 2014. In addition, 11 stores opened in Canada in 2014 bringing the total north of the border to 19.

MERGERS, ACQUISITIONS AND ALLIANCES

GNC Holdings Inc. and **American Media Inc.** unveiled an exclusive, multi-year e-commerce partnership on "Shape," "Men's Fitness," "Fit Pregnancy," "Natural Health," "Muscle & Fitness," Flex" and "Muscle & Fitness Hers" websites.

HONORS & AWARDS

Joseph Tocco, owner of **Deucecco Enterprises**, is the winner of **Coverall's** Best Large Category, honored for his exceptional performance, dedicated service and loyalty to customers of the commercial cleaning business.

The 2014 Hotel of the Year and Connie Awards were presented to North American winner, **Hilton Garden Inn Mobile East Bay/ Daphne, Ala.,** for the second consecutive year, and international winner **Hilton Garden Inn Krasnodar, Russia**. The Connie Award, named after Hilton Worldwide's founder Conrad Hilton, recognizes two top performing hotels of the year.

Jersey Mike's Franchise Systems received the 2014 Restaurant Breakthrough Award in the Enterprise Innovator category from Hospitality Technology magazine for outstanding vision and achievement in operational and guest-facing technologies.

Merry Maids home cleaning franchise honored several outstanding franchise owners during its annual seminar in Orlando. The highest honor of the year, the Founder's Award, was given to franchisees **Debby, Larry and Garret Weigel** who have locations in Mobile, Ala., Pinellas Park and Jacksonville, Fla.

TopFire Media received the best "New Agency" award from Ragan & PR Daily's 2014 Ace Awards.

COMMUNITY OUTREACH

Choice Hotels Teams With Steve Harvey to Help Change Young Lives


Steve Joyce, president and CEO of Choice Hotels and IFA 2014-2015 chairman, and entertainer and philanthropist Steve Harvey.

Choice Hotels International, Inc. is partnering with celebrity entertainer and philanthropist Steve Harvey to help raise funds in support of the Steve & Marjorie Harvey Foundation and its youth initiatives. The dollars raised will go toward the foundation's mission of helping young men and women, largely from inner-cities and single-parent families, set and achieve their goals through such programs as the Steve Harvey Mentoring Camp for Young Men. Choice Hotels President and CEO Steve Joyce made the announcement on the "Steve Harvey Show" in January. Joyce is IFA's 2014-2015 chairman.

More than 21 million members of Choice Hotels' Choice Privileges® loyalty program can donate their points to be redeemed for dollars that will go to the foundation. For every point contributed, Choice Hotels will match with a monetary gift, up to $50,000 annually.

Since the mentoring program's inaugural year in 2009, Choice Hotels has been the foundation's largest in-kind sponsor. Choice Hotels and its franchisees have donated hundreds of room nights to help provide the hard-working single mothers of camp attendees, mentors and camp volunteers comfortable accommodations, free hot breakfast and Wi-Fi in nearby hotels while the young male mentees experience nature by bunking with U.S. Army mentors in barrack-style tents.

Jersey Mike's Honors Veterans with Long-Time Partner Wreaths Across America

New Jersey Gov. Chris Christie and Jersey Mike's founder and CEO Peter Cancro honored military veterans during a special ceremony Dec. 16 on Ellis Island.

The tribute was part of the nonprofit Wreaths Across America's annual pilgrimage from Harrington, Maine, to Arlington National Cemetery to deliver hundreds of thousands of the grave decorations for Wreaths Across America Day on Dec. 13. Known as the world's largest military veterans parade, the WAA convoy stops at schools, monuments, veterans homes and communities each year.

To commemorate this year's event, MSNBC's "Taking the Hill" produced a special edition hosted by former congressman, Iraq War veteran and contributor Patrick Murphy. Airing Dec. 14, the show outlined how Wreaths Across America got its start and its extraordinary ongoing work for veterans.

Featured in the segment were Jersey Mike's Chairman/CEO Peter Cancro and his long-time friend Edith Nowels, 85, who was this year's convoy Grand Marshal and Gold Star sister of Cpl. Horace "Bud" Thorne, who was killed in action in World War II's Battle of the Bulge.

Sport Clips Donates $650,000 to Help Service Members Further Education

Sport Clips Haircuts donated $650,000 to the Veterans of Foreign Wars in December to help active duty U.S. military service members and veterans further their education and reach post-military career goals. Through client and product partner donations, as well as Veterans Day contributions of $1 per haircut service, the franchise's annual "Help A Hero" campaign was its most successful since the program began in 2007. Funds raised will benefit the VFW's "Sport Clips Help A Hero Scholarship" program which is expected to provide more than 145 scholarships for the 2015-2016 academic year.

The campaign started in support of the VFW's Operation Uplink "Free Call Days" program and has made nearly 2.5 million calls home possible for deployed and hospitalized U.S. military service members. Last year, Sport Clips expanded its Help A Hero focus to offer scholarships of up to $5,000 each to active-duty military and veterans who wish to pursue college degrees and vocational certifications. To date, 137 scholarships have supported military veterans in returning to school.

From left, Sport Clips Haircuts Founder and CEO Gordon Logan presents a check for $650,000 to John Stroud, VFW's commander-in-chief, to help service members further their education. Micah Gaches, (second from right,) a member of the Air Force Reserves and a Help A Hero scholarship recipient, was on hand for the presentation, along with Sport Clips Haircuts Pres. Mark Kartarik (right.)

IFA Names Michael Layman Vice President of Regulatory Affairs

Government relations and public policy professional joins IFA to focus on regulatory issues.

The International Franchise Association has hired Michael Layman, a seasoned government relations and public policy professional, to serve as vice president of regulatory affairs.

"We are thrilled that Michael Layman officially joined IFA to bolster our efforts to fight back against the workforce and labor-related issues that are threatening the existence of the franchise model," said IFA Pres. and CEO Steve Caldeira, CFE. "Michael brings a wealth of government, corporate and trade association experience to the IFA that will be integral in our advocacy efforts to protect, promote and enhance franchising."

Prior to joining the IFA on a permanent basis, Layman worked on workforce policy issues for the association in an Of Counsel capacity since September 2014. Formerly, he was a senior manager with Littler's Workplace Policy Institute. He also worked for the Society for Human Resource Management as manager of employment and labor policy from 2007 to 2013. Layman advanced SHRM's views on employment, labor relations and civil rights legislation with congressional offices and the administration, leading multiple national coalitions on employment and labor policy.

"I am thrilled to join the IFA, an organization rooted in protecting a business model that has created jobs for so many Americans," said Layman. "During this challenging time for the franchise business model, I look forward to working with IFA and representing small-business owners across the country here in Washington."

In addition, Layman served as chairman of the National Coalition to Protect Family Leave, a coalition of companies and associations that supported public policy promoting voluntary, employer-provided leave benefits.

From 2001 to 2007, Layman worked on Capitol Hill as legislative director for U.S. Rep. Tim Murphy (R-Pa.) and as a professional staff member of the House Government Reform Committee staff under its chairman, U.S. Rep. Tom Davis (R-Va.). ■

Franchise Owners Express Exasperation With NLRB Actions

The NLRB's attempts to artificially promote unions at the expense of franchisees criticized during U.S. Senate committee hearing.

BY MICHAEL LAYMAN

From left, John Sims, owner and operator of Rainbow Station at the Boulders in Richmond, Va., and Gerald Moore, owner and operator of five The Little Gym franchises located in North Carolina, South Carolina and Tennessee, testify before the U.S. Senate Health, Education, Labor and Pensions Committee.

Two local franchise business owners urged Congress to address regulatory overreach by the National Labor Relations Board during a Feb. 5 hearing before the U.S. Senate Health, Education, Labor and Pensions Committee. The franchise business owners testified that the NLRB's recent efforts to expand the definition of what constitutes a "joint employer" would undermine their ability to operate and sustain their businesses — potentially forcing them to stop expansion plans and even close down.

At issue are the attempts by NLRB General Counsel Richard F. Griffin, a former labor union lawyer and unconstitutional NLRB member appointee, to upend the decades-long, well-established joint employer definition through the imminent case decision in Browning-Ferris Industries. Should the NLRB expand the definition of joint employer to include a franchisee's national brand, it would threaten the continuation of the franchise model because of how it would compel brand companies to exercise more operational control over franchisees to limit their new National Labor Relations Act liability. The NLRB general counsel's invention of a new standard may lead to industry consolidation and, ultimately, to store closures and a loss of jobs, economic activity and entrepreneurial investment.

PLANS ON HOLD

Franchise owners testified on Feb. 5 that the NLRB's activism is already having an impact on their businesses and communities.

"I operate as an independent standalone business," said John Sims, owner and operator of Rainbow Station at the Boulders in Richmond, Va. "I have the autonomy to run my business as I see fit. But if the Labor Board radically changes the joint employer standard, I fear that my days as a business owner will be numbered. The success or failure of my business is, essentially, all on me — and that is what I love about it. It would be a real shame to take these types of opportunities away from people like me."

Sims employs 40 people at his Rainbow Station location. He and his wife were considering opening another location, but largely due to ongoing NLRB uncertainty, they have put those plans on hold.

Likewise, franchisee Gerald Moore, an Army veteran and owner and operator of five The Little Gym franchises, is also putting his expansion plans on ice as he awaits the NLRB's decisions and is able to see the implications of the board's rulings. Moore was drawn to franchising because it gave him the skills and tools necessary to build a business, one that he could operate with his family and eventually pass on to his children and grandchildren. Now he wonders what government officials will do to his business.

(Continued on page 14)

Benetrends Announces $25 Million On Tap For World of Beer Franchising, Inc.

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(Continued from page 12)

"If the National Labor Relations Board expands the current joint employer definition, our family business would no longer be ours," said Moore. "A broader interpretation of joint employer will certainly dissuade upstart entrepreneurs in the future. Simply put, these small-business owners will be less attractive business partners for franchisors and this will drastically reduce the opportunities for business ownership all across the country."

"Our family business may no longer be our family's business," Moore stated.

A recent survey of members of the International Franchise Association illustrated the broad concern that local, independently owned franchisees are experiencing: 97 percent of respondents said that an expanded joint employer standard would have a negative impact on their business, and 82 percent said the impact would be "significant."

The NLRB actions are truly unfortunate considering the tremendous economic benefit franchising brings to communities and the national economy as a whole. Today, America's 780,000 franchise establishments generate nearly 8.9 million direct jobs and $890 billion of economic output and the sector is expected to see continued growth.

A study released earlier this year by IHS Economics predicted that franchise businesses would add 247,000 new jobs in 2015, coming off the heels of 235,000 new jobs in 2014. This 2.9 percent growth rate would mark the fifth consecutive year that job growth in the franchise sector outpaced the non-franchise workforce.

However, the anticipated NLRB ruling in Browning-Ferris Industries, if not remedied, would have a significant and permanent impact on the franchise business sector.

"Year after year, franchising makes significant contributions to local communities and provides opportunities for individuals seeking a path towards business ownership," said Steve Caldeira, CFE, IFA president and CEO. "However, the recommendation by the NLRB's general counsel, if it goes forward, will halt franchisee expansion and the jobs they create. Our economy simply cannot afford this ill-conceived and politically motivated ruling."

CODIFY EXISTING DEFINITION

In closing their testimony to the Senate HELP committee, Sims and Moore implored the panel to codify the existing definition of joint employer.

"I strongly urge this committee to consider the devastating impact on all small-business owners if the NLRB invents a new definition of joint employer to the potential detriment of local businesses like mine. I ask you to take the necessary steps to ensure that the National Labor Relations Board cannot take away my livelihood now or in the future," Sims said.

The NLRB's decision in Browning-Ferris is expected this spring. ■

Michael Layman is vice president, regulatory affairs for the International Franchise Association. Find him at fransocial.franchise.org.


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New York Joint Employer Bill Re-Introduced

New York S.B. 152 represents one of the latest attempts by labor and others to dismantle the franchise model through legislation.

BY DEAN A. HEYL, CFE, AND JEFF HANSCOM

Once again, the New York Senate is considering an ill-advised piece of legislation that would undermine the franchise model. Senate Bill 152 (S.B. 152), which is identical to last session's S.B. 6455, was referred to the Senate Labor Committee on Jan. 7.

WHAT THE BILL DOES

The stated purpose of S.B. 152 is to raise the minimum wage, but the bill does much more than this. For starters, it defines "large employers" and "franchisees" in such a manner that the difference between franchisors and franchisees is blurred. The next problematic provision is the establishment of a $15 an hour wage containing a consumer price index for inflation. Keep in mind, this is only applicable to "formula retail stores," which would include franchisees' businesses. Echoing the actions of the National Labor Relations Board's general counsel, the bill holds that parties to a franchise agreement "shall be jointly and severally responsible for any violation" of this new statute. Finally, the legislation contains a clause waiving the requirements of the statute if a formula retail store enters into a collective bargaining agreement.

IFA ACTIONS

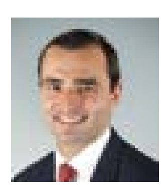
Through the International Franchise Association's Franchise Action Network, franchisors and N. Y. franchisees have been activated to oppose S.B. 152. Additionally, IFA has been meeting regularly with legislators and staff explaining how detrimental the bill would be for franchisees, franchisors and the state's economy. We have built a broad-based coalition including business groups such as the Retail Council of New York State to fight this threat to franchising, and will continue engaging legislators, business advocates and the news media regarding this and other attacks on the franchise model.

CONTEXT

N. Y. S.B. 152 represents one of the latest attempts by labor and others to dismantle the franchise model through legislation. As mentioned earlier, S.B. 152 is an exact copy of a previously introduced bill which died in the Senate Labor Committee last year. New York is not the only state to face such harmful legislation. In January, similar legislation targeting franchise small businesses was introduced in the Massachusetts Senate as S.D. 852. Last year, the Connecticut House members rightly rejected House Bill 5069, "An Act Concerning Low Wage Employers," which would have required franchisors to pay their franchisees' employees a surcharge of 30 percent of the state's minimum wage.

Now that the NLRB's general counsel has filed complaints alleging that franchisors can be held to be joint employers, we can expect more activist state and local governments to follow suit. IFA will continue to fight any such proposals that discriminate against franchise businesses. Our message is clear, "We are not asking for special treatment, just equal treatment." ■


HEYL


HANSCOM

Dean A. Heyl, CFE, is vice president of state government relations, public policy and tax counsel and Jeff Hanscom is director, state government relations and public policy of the International Franchise Association. Find them at fransocial.franchise.org.

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IFA's 48th Annual Legal Symposium —Event Returns to Chicago

Expect to learn valuable information and insights that will benefit lawyers and franchise executives, and help continue to evolve and expand franchise systems.

BY AMY CHENG

FOR ALMOST HALF A century, lawyers and other legal professionals have attended the International Franchise Association's annual Legal Symposium to stay current with legal developments affecting franchising. Attendees have gathered to engage, share, discuss and debate hot topics in the legal arena of franchising. Both in-house counsel and private attorneys have come to view the program as a must-attend event not just for the content it delivers, but also for the tremendous networking opportunities it affords.

More recently, many franchise business executives too have come to appreciate the benefits attending the Legal Symposium affords, and the number of non-lawyer attendees has grown each year. The symposium reflects IFA's recognition of the critical impact legal developments can have on the industry as a whole.

FRANCHISING UNDER ATTACK

Never has the business of franchising felt the impact of legal developments as it has recently. These legal developments that threaten franchising as we know it have not only drawn the attention of franchise lawyers, but command all franchisors' C-Suite executives' undivided attention as well. As IFA Pres. and CEO Steve Caldeira, CFE, recently said, the franchising business model has never been under such a multi-pronged attack. There has never been a more critical time than now for franchise lawyers and franchise business executives alike, regardless of their core discipline or responsibility, to understand and respond to the existential threats facing franchising as a method of distribution.

ON THE FRONT LINES

As is widely known by now, the National Labor Relations Board has taken the position that the franchisor should be treated as a joint employer of its franchisees' employees. In Massachusetts, the Wage Hour Law has been interpreted to mean that franchisees may be the employees of their franchisors — a de facto rewrite of the franchise agreements involved. These decisions overturn decades of legal precedent and represent a direct threat to the success and future of the franchise business model.

The 2015 IFA Legal Symposium will confront these developments head on. Sessions, panels and programming overall have been specifically designed to deliver timely and compelling content concerning these and similar trending topics to the broad range of participants whose collaboration is made mandatory by the threats these developments present.

While we, as legal counsel, are largely on the front lines of this battle, never before has it been so important for us to work hand-in-hand with the franchise business executives we represent and industry leaders to develop coordinated and effective responses to these developments. It is equally as important that franchise business executives understand these legal developments to effectively maintain and manage their franchise systems, much less grow them, in this increasingly challenging environment. There is no better opportunity than during the 2015 Legal Symposium for all of us to join in the discussion of these critical developments and to work together toward our common goal of protecting the independent franchise business relationship.

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NAVIGATING CHALLENGES

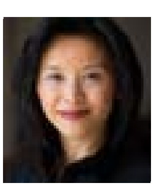
The IFA Legal Symposium Task Force has worked hard to develop programming that will assist lawyers and franchise business executives alike to better understand the challenges confronting our industry to navigate the new legal challenges we all face. We know these few days will offer valuable information and insights that will benefit both lawyers and franchise executives, and help them continue to evolve and expand their franchise systems.

This year, we will kick off the Legal Symposium with a plenary session that takes a multi-disciplinary look at the ongoing collision of labor and employment law with franchise law. We have cast our net widely by inviting a franchise economist, a labor relations expert and a labor/employment attorney to share their insights and perspectives on the forces at play in this debate. It's sure to be a lively and informative discussion that represents differing views and perspectives.

Additionally, this year's Legal Symposium will continue the traditional focus on the practical applications of the law to solve the real, everyday problems franchisors and franchisees encounter. This year's breakout sessions will include timely panels addressing data security, crisis management, franchise renewals and financial performance representations. A panel of state examiners will provide updated insight and guidance on expediting franchise registrations. We'll also feature a session about how franchisors can revise franchise agreements and manuals to reflect an attitude of collaboration with franchisees.

It's not all about work, however. While the symposium will undoubtedly be substantive and productive time well spent, the task force is determined to make sure attendees have plenty of opportunities to spend time with peers, to network and to enjoy all that Chicago it has to offer. For example, we'll kick things off by throwing an authentic "Chi-Town" deep dish pizza party. No hotel ballroom reception for us! I also encourage attendees to arrive early or stay late to enjoy some of the Windy City's wonderful attractions, be it a stroll down the Mag Mile, a visit to the Lakefront and Navy Pier, Improv at Second City or a visit to one of Chicago's world-class museums. I am proud of my hometown and hope you will enjoy it while you're here.

I look forward to seeing you in early May here in Chicago. Review the Symposium Snapshot below for a more complete list of the planned programs. For additional information or to register for the Legal Symposium, visit legalsymposium.franchise.org. ■



Amy Cheng is a co-founding partner of the Chicago law firm of Cheng Cohen LLC and represents franchisors on the structuring and operation of their franchise programs through all phases of development. She is chairwoman of the franchise industry's premier legal event, IFA's 2015 Legal Symposium. Find her at fransocial.franchise.org.

2015 LEGAL SYMPOSIUM SNAPSHOT — BREAKOUT SESSIONS

1. Considerations and Traps for Public Franchisors and Franchise Systems Going Public
2. Data Privacy and Security: Can Any Brand Sleep at Night?
3. How to Ensure Your Franchisees Knock It Out of the Park
4. Crisis Management In Franchise Systems
5. Investing Franchisees/Mystery Shopping
6. The Top 5 Mistakes Made by Franchisors Expanding Internationally — How You Can Learn From Them So You Don't Repeat Them
7. Negotiating an International Deal — Getting to Yes for Long-Term Success
8. Hot Issues in Litigation
9. Restrictive Covenants — Reach for the Stars and Watch the World Slip Through Your Fingers
10. You Mean I Have to Enforce This Provision? Top Provisions You Should Run by Your Litigators
11. Top 10 Tips for Securing Swift Franchise Registrations and Renewals/Panel of Regulators
12. Is This Really the End? Dealing with Renewal of Franchise Relationships
13. Life After Termination — Ensuring a Smooth Transition
14. Advanced Franchise Agreement and FDD Drafting Techniques
15. The Dynamics of the Franchise Relationship in Today's Business & Regulatory Environment
16. Walking the FPR Tightrope: Managing the Expectations of Prospective Franchisees, Lenders and Regulators in Preparing Financial Performance Representations

The Judicial Update will present key franchise legal trends that are affecting the franchise industry, as well as examine what some important cases mean for the future of franchising's legal and business operations.

Basic Track programs on structuring a franchise network, registration, U.S. franchise disclosure law, handling defaults and terminations, frequently arising issues in franchise litigation, and expanding internationally will also be featured.

We look forward to seeing you May 3 to 5 at the Marriott Downtown Chicago Magnificent Mile Hotel for the 48th Annual IFA Legal Symposium.

Visit legalsymposium.franchise.org to register.

Cybersecurity and Franchising

Breaches can transform a business headache into a legal nightmare.

BY LEE PLAVE, CFE

FOR 238 YEARS, THE men and women of our country's armed forces have faced down threats. They remain on the front line protecting our physical security. But threats have evolved, and in the digital world in which we all live and transact — we are all on the front line in ongoing cyberattacks against our businesses and against our own selves.

To address our strategic national interest, the U.S. Dept. of Defense launched the U.S. Cyber Command, part of the U.S. Strategic Command. Still, the threat is so considerable that despite the best efforts of CYBERCON, we all still face the daily risk of cyberattack.

As business owners, we know that the task of securing our own operations can seem daunting. But the best way to proceed is to take this methodically and in pieces, as suggested by the old adage "how do you eat an elephant — one bite at a time." Merely because cyberattack is so pervasive doesn't spare companies of the need to be reasonable and vigilant in protecting their data and, ultimately, their market position and brand name. Besides, offering up a "nobody-cares" defense because "it happens to everyone" violates George Washington's maxim on excuses: "It is better to offer no excuse than a bad one." And law enforcement authorities, from state attorneys general to the Federal Trade Commission, may be particularly unmoved by businesses that try to assert that defense.

From a brand perspective, data breaches may represent an existential threat to the viability of an entire franchise network, including the party that suffered the data breach as well as of the franchisees and the franchisor who fly the same flag.

From a legal perspective, data breaches may result in the liability and exposure to lawsuits from customers, law enforcement authorities and shareholders, especially if the victim is a publicly traded company, and the PCI Security Council. When breaches happen where the business didn't take reasonable and relatively simple precautions, or where the business did not keep a promise made to its customers, that can transform a business headache into a legal nightmare.

Here are some practical tips to get your arms around the cybersecurity issue:

1. **Assess Your Organization.** Engage professional assistance to help identify vulnerabilities and determine what reasonable steps you can take to secure your data and maintain that security. Tom Epstein, CFE, CEO of Franchise Payment Network, said that more than simple precautions are needed and that a full assessment is in order.

2. **Be Aware.** The vulnerability isn't limited to point-of-sale systems. In a recent interview, Epstein observed that most POS systems are Payment Card I-compliant, but the rest of the chain needs to be considered. For example:

   - While your credit card processor is probably PCI-compliant, how is transaction data transferred to your vendors?
   - Are the routers in your retail locations properly set?
   - Is there one router for the store that handles both back-of-the-house transaction data and also front-of-the-house Internet access? (Hint: there should be separate networks).
   - Is credit card information taken by hand (e.g., a scratch pad next to the phone) and, if so, how is that information handled and physical copies destroyed?
   - If you decide to adopt mobile payment systems (e.g., Apple Pay, Google Wallet, Level Up) are you doing so properly and professionally?
   - Do you have any franchisees who take payment or collect other data by unauthorized means?
   - Have you installed and updated proper anti-virus (and anti-malware) software on all of the computers that operate within your network in the franchisor's offices, as well as those in the franchisees' offices? (These can be the first line of defense against the unbelievably high volume of malware that can come into the system through attachments to innocuous-looking e-mails.) Also address in the same way the computers and mobile devices that

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your team (and your franchisees) use to remotely access their office computers.

- Does your staff (and that of your franchisees) use the same tablet to surf the Web (translation: more vulnerable to viruses) as it does to conduct business and record customer data (which would make the data equally vulnerable to attack)?
- Do you properly back-up your data so that a cyberattack won't be cataclysmic? Where is the back-up conducted and is any physical media kept securely (e.g., tape drives, hard drives)?
- Are all passwords used to access the system appropriately complex and changed frequently?
- Do you limit, and run through a malware and virus screen, the data that your vendors share with you (and that you share with your vendors)? (Bear in mind that the hack on Target reportedly came into the system through an HVAC contractor.)

3. **A PCI compliant vendor isn't the end of the inquiry.** Epstein says that each time there is a major breach, vendors release security patches that have to be downloaded and installed not only to remain PCI-compliant, but also to close the window on major vulnerabilities. Those patches need to be downloaded and installed so that the POS systems that were PCI-compliant when purchased stay that way. The PCI Security Council, run by the banks that issue credit cards (including American Express, MasterCard, and Visa), is vigilant about making sure that businesses, including retailers, take the proper actions at every step of the way, not just when they purchase a POS system. In fact, the PCI Security Council has the power under its contracts with merchants to fine those who fail to take reasonable actions to safeguard data.

4. **Set a Policy.** Franchise systems ought to have a data policy, set by the franchisor that sets out standards appropriate to the system. All of the points noted above should be addressed, but there will inevitably be differences in each system. For example, a network of franchises in the food-service business may have one set of concerns, but those concerns are vastly different from those in a home health care franchise. Among other things, a proper policy will address the data that is needed and that should be collected, and what data should never be collected. What antivirus programs are to be installed and on what devices? What emails should never be opened? How data should be used and maintained, and under what conditions may the data be transferred? Are franchisees responsible to report data breaches to the franchisor so that remedial action can be taken swiftly?

5. **Train the System.** In a franchise system, all of the stakeholders — the franchisor, franchisees, all of their respective employees, vendors, etc. — need to be trained about the standard and the data policy. Field operations teams need to be especially attuned to the issues so that they can check on these issues during their own on-site visits and report on vulnerabilities that should be double-checked to prevent breaches. (When those steps are completed, repeat the training process – which is akin to painting the George Washington Bridge between New York and New Jersey, a process that starts in one spot, takes time to be completed around the perimeter of the bridge, and by the time of completion, needs to be restarted.)

6. **Learn More.** Keep abreast of the issues. Here are few helpful resources:

   - The International Franchise Association has launched a collaborative effort with the National Cyber Security Alliance. Additional information can be found at http://www.franchise.org/Franchise-News-Detail.aspx?id=63102 and at www.StaySafeOnline.org.
   - The PCI Security Standards Council (www.pcisecuritystandards.org) provides extraordinary information for merchants, and sponsors webinars to help keep merchants up to date on threats.
   - The Electronic Transactions Association (at http://www.electran.org) is also an outstanding and expanding resource.
   - The Verizon Data Breach Investigations Report (http://www.verizonenterprise.com/DBIR/2014) is an excellent compendium of data on breaches, why they occur and steps businesses can take to mitigate the brand and legal risks.
   - For hints on creating strong passwords, visit the Boston University Information Security and Technology Dept. website: http://www.bu.edu/infosec/howtos/how-to-choose-a-password/. ■

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Taking Your Franchise Public

Franchises find traction in the initial public offerings market.

BY ALAN R. GREENFIELD AND GRANT J. LEVINE

IN 2014, FRANCHISE COMPANIES found solid traction in the initial public offerings market. These IPOs have included Hilton Worldwide Holdings Inc., La Quinta Inn, Papa Murphy's, Potbelly Corp. Holdings and RE/MAX Holdings Inc. Of course, some of the nation's largest and most mature franchise systems have also successfully traded as public companies. Such companies include Dunkin' Brands Group, InterContinental Hotels Group, McDonald's Corp., Marriott International, Sonic Corp., Starwood Hotels and Resorts, Wendy's and Yum! Brands. While there have been many successful IPOs in the franchise space and the opportunities may seem plentiful, the decision to go public should be carefully considered.

GOING PUBLIC: PROS AND CONS

Deciding to become a "public company" hinges on many factors, the most salient being whether the company believes, with input from financial advisers, that the IPO will be successful; that is, a healthy rise in the stock price followed by stable, long-term growth in shareholder value. Both internal factors, such as the company's competitive positioning, stage in its life cycle, profitability and management team, and external factors, such as the strength of the IPO market, in general, and the market's appetite for investment in the company, can greatly influence the success of an IPO.

Going public can have its benefits over venture capital and preferred stock financing:

- The Jobs Act* has made it more affordable to go public through scaled disclosure and phased-in compliance for "emerging growth companies,", or EGCs, which represented approximately 80 percent of all IPOs since the enactment of the Jobs Act.
- Large infusion of cash to accelerate growth.
- Ready access to public markets for future less costly capital.
- A liquid market can provide a powerful talent retention tool.
- Ability to use stock as transaction consideration.
- Closer scrutiny and increased pressure to meet quarterly earnings guidance can conflict with the principals' vision for the company.

However, these benefits come at a cost:

- Periodic reporting requirements are still laborious, time-consuming and expensive and may require disclosure prior to when the company desires.
- Insiders are required to report their ownership and are subject to disgorgement for short-swing profits.
- Pressure to accurately forecast and provide guidance.
- CEOs and CFOs are required to certify the quality of the financial statements and disclosures.
- Control and flexibility is often lost due to the substantial post-IPO dilution of ownership.
- Along with a liquid market comes the risk of hostile takeovers.

**The Jumpstart Our Business Startups Act of 2012, or Jobs Act, was intended to reduce the cost of raising capital for smaller companies and reduce the regulatory burden imposed by the securities laws on such companies. It also lifted the prohibition on general solicitation of a company's securities, opening the door to additional investment opportunities for franchise companies.*

THE IPO PROCESS

THE PLAYERS

An early step in the IPO process is the selection and retention of the company's team of advisers, including legal advisers, underwriters and independent auditors.

MANAGEMENT

The company's management team serves as the liaison between the company's board of directors and its advisers and underwriters, and must coordinate with key employees to facilitate the due diligence process, the preparation of the registration statement and maneuvering through the U.S. Securities and Exchange Commission comment process. The management team must be prepared to shoulder the additional burdens of becoming a public company and challenges of getting there. Finding the right balance between the demands of the IPO process and growing the business so as to meet projections is the biggest challenge of an IPO.

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COMPANY COUNSEL

The company's counsel is responsible for coordinating the underwriter's due diligence process, preparing the registration statement, responding to SEC comments, guiding the board through the development of a corporate governance program, applying for listing on a stock exchange and advising the board and the company's management on their many ongoing periodic reporting obligations once public.

It is important to retain a law firm with significant IPO experience and knowledge of the company's industry. The right firm should be able to rely on its familiarity with the company's operations and issues in its industry to efficiently anticipate and respond to SEC comments.

THE UNDERWRITERS

The investment bankers, or underwriters, serve the important role of marketing, selling and maintaining a market for the company's securities offered in the IPO. Underwriters assist with the preparation of the registration statement and organize the road shows. They are typically compensated through an underwriting discount of the total offering.

In selecting its underwriter, a company should consider the underwriter's IPO track record in the company's industry, reputation and analyst coverage.

THE INDEPENDENT AUDITORS

The independent auditors are responsible for assisting the company in complying with the litany of securities laws governing financial disclosures in addition to generally accepted accounting principles, and delivering a comfort letter to the underwriters.

THE REGISTRATION STATEMENT

The document used to offer and sell the company's securities is called a prospectus, which is included in the registration statement, typically on Form S-1, and filed with the SEC. The prospectus is where the company's story will be told. It includes an overview of the business and its products or services, the financial condition and results of operations from the management's perspective, an introduction to the company's management team and board of directors, compensation and stock ownership disclosures, and the key risks that face the company, among other disclosures. Franchisors should be familiar with these types of disclosures, which seek to provide investors with information to help understand the business and appreciate the potential risks associated with it — similar to the purpose of the franchise disclosure document.

DUE DILIGENCE

A company preparing for an IPO can expect the underwriters, through their counsel, to conduct a thorough due diligence investigation of the company's financial position, business, relationships and industry. This involves gathering information and documents from the company, contacting key suppliers and franchisees, and getting comfortable with the quality and integrity of the disclosures in the registration statement. This process can be very demanding and disruptive, particularly for a company whose senior management is intimately involved in day-to-day operations. Having a handle on all material agreements, including franchise agreements and vendor agreements, relationships with franchisees, and other information important to the business is critical. ■

TAKEAWAYS: PRACTICAL TIPS AND POTENTIAL PITFALLS FOR FRANCHISE COMPANIES

- Get your franchise company organized ahead of time. This becomes essential for the due diligence process.
- Plan ahead and schedule regular meetings with the management team throughout the process to avoid bottlenecks.
- Swallow your pride and allow the underwriters to do what they do well. You may have built the company from the ground up, but you probably do not have as much IPO experience as they do.
- Don't be afraid to delay the IPO. The company may be setting itself up for failure if the market conditions are not ideal, the company misses earnings right out the gate or it otherwise fails to live up to analyst expectations.
- Engage auditors early in the process to avoid costly delays or surprises.
- Keep "business as usual" in your public statements (including communications with franchisees) to avoid jumping the gun during the quiet period.

GREENFIELD

LEVINE

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International Expansion: Doing it Wrong

Many franchisors simply assume that the expansion model they have used at home will be serviceable abroad.

BY PHILIP F. ZEIDMAN

YOUR FIRST IMPRESSION WHEN reading the title of this article may well be, "There's not enough space here to cover that subject." And, of course, you are correct. The number of ways you can get it wrong when expanding internationally is, unfortunately, almost limitless.

You can go too soon before you've stabilized your domestic operation, assembled the staffing for the venture, developed the program, satisfied yourself that you have adequate funding, and determined that you can take the step without draining away resources needed to reach your domestic potential.

AVOID THESE MISSTEPS

- You can pick the wrong partner, probably the most common mistake. It's a delicate balance between hewing to the same criteria and values you've used successfully in selecting domestic franchisees and identifying the characteristics, which are sometimes quite different, will make for a successful foreign franchisee or developer.
- You can yield to the temptation to shortcut the process. This occurs by not doing your homework, by simply assuming that your product or service will be as well received abroad as it has been at home or by not delving deeply enough into the laws which will govern your venture (about 40 jurisdictions now have franchise laws) and what adjustments they will require.
- You can pick the wrong market. Is it manageable in size, but large enough to warrant the upfront expenditure and to attract a qualified and ambitious developer? Does it have characteristics sufficiently close to those under which you've operated at home so that you can extrapolate efficiently? Or will you be essentially writing on a clean slate? And is there a sufficient pool both of prospective customers for your product or service and of prospective franchisees if you will be sub-franchising?

HOW SHOULD YOU EXPAND?

These are pretty easy items for your checklist. But another subject, equally important to your success, is all too frequently little more than an afterthought: How should you expand? Many franchisors simply assume that the expansion model they have used at home will be serviceable abroad, perhaps with some minor tweaking, and comfort themselves with the thought that they can just do, essentially, more of the same.

Often, unfortunately, they are wrong. And a mistake made at the outset in the choice of expansion vehicle may be almost impossible to correct.

Your task is made even more difficult by the passionate dedication you will find among the members of the international franchise community to almost every approach. There are franchisors who (for managerial, tax or other legal reasons) are committed to the creation of a wholly owned subsidiary, in each or several of their markets (or an off-shore entity holding the intellectual property rights undergirding the expansion, and receiving royalties). Most franchisors would probably avoid that approach instinctively.

In a few circumstances you will find franchisors who believe that the nature of their geographic expansion makes it possible to issue single-unit franchises across borders, but in most instances you will find yourself choosing among three approaches:

- **An area development grant,** under which the developer will establish multiple units with its own resources;
- **A master franchise, or "sub-franchising" model,** under which the partner will identify, contract with, support and supervise sub-franchisees (and, in some cases, may be allowed or even required to develop a certain number of its own units); or,
- **A joint venture** (which is itself frequently coupled with one or the other of the two techniques).

It is only recently that the franchise community began to recognize how crucial this decision is, and how easily it can be "done wrong." The Univ. of Vienna has recently launched a wide-ranging survey covering franchisors based in the United States and seven other major markets (operating in six languages). It will seek to determine which types of franchisors use which vehicle, where and why. Among the distinguishing features it will seek to trace through the decision-making process: The "environmental" characteristics of the target market (e.g., cultural factors) such as:

- The relative importance of monitoring the foreign partner's performance;
- The degree of control deemed necessary;
- The difficulty of adaptation;
- The necessary resources devoted by each party;
- The allocation of decision-making and the qualities of the foreign partners which are determinative; and,
- How has the chosen model worked out? And why?

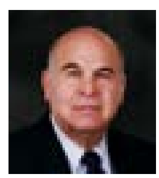
The results of the survey will represent the most authoritative examination of this crucial step in international expansion which has ever been undertaken. In the meantime, the International Franchise Association is not simply awaiting the results. Its new "IFA International Toolkit" initiative is designed to create a core resource — essentially, a curriculum in international franchising. By a combination of distributed materials, website postings and webinars, it will address the key issues every franchisor must confront in the course of deciding whether, when, how and where to franchise internationally. It is no coincidence — indeed, it is fitting — that the inaugural program in this initiative is to be an in-depth examination of this precise issue: the choice of a vehicle for international expansion.

A webinar will examine different scenarios, drawn from real-world experience, designed to illustrate how the choice can be made most effectively, and what factors might tip the balance from the choice of one vehicle to another.

The scenarios will be drawn from a composite of real-world experiences, many of them that franchisors know very well. Among the variables they will examine include:

- How is the choice affected by how long the franchisor has been operating domestically, and with what model?
- Is it essential that the same model of expansion be selected for each foreign market?
- If knowledge of the local real estate market (or access to supply sources or capacity to deal with the national or local government) is crucial in your business, does that dictate one model over another?
- One franchisor may have the capacity to devote substantial supervisory resources to the market; another may not. How will that play out in the choice of model?
- Some franchisees have been built on extensive training in and real-time monitoring and supervision of the customer interaction, others less so. Does that tell us anything meaningful about which model will work best?
- In some countries there may be doubt that a trademark licensor can exert adequate control, or even influence, on the licensee's operations and marketing. In other countries, legal regulations may limit royalties or other fees below a sustainable level from the franchisor's perspective. Can the choice of models be a factor in addressing these problems?

That's just the beginning, and you will learn just how critical the role of the franchisor's counsel can be throughout the process. You will be hearing more about this groundbreaking initiative. Don't miss it. ■



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POST-TERMINATION OBLIGATIONS — How to Plan for Enforcement

Post-termination provisions serve important purposes and require pre-planning to increase the ability to enforce.

BY LEONARD MACPHEE

EVERY FRANCHISE SYSTEM WILL experience terminations and non-renewals. It is necessary and important that the franchisor have the ability to enforce post-termination obligations to protect and preserve the goodwill and intellectual property of the brand, the location or territory, and other franchisees.

Indeed, a primary purpose of many post-termination obligations is the protection of the brand's confidential information, trade secrets, trademarks and trade dress.

Franchisors spend substantial sums of money to develop and protect this intellectual property, which often comprise the most valued assets of the brand. Keeping the location, territory and customers serviced under the brand is often also a purpose served by post-termination obligations. Protecting intellectual property and the territory maintains and enhances the value of the brand for the entire system, including the franchisees operating in it, and post-termination obligations are an important component of a franchisor's rights in this regard.

STEP 1: INCLUDE STRONG POST-TERMINATION PROVISIONS IN THE FRANCHISE AGREEMENTS

Planning for enforcement of these provisions entails making sure they are in the franchise agreement. Franchisors should include provisions setting forth the obligations of the franchisee and rights of the franchisor, as well as rights required to be included in third-party contracts, like leases. The typical franchise agreement includes obligations and rights concerning post-termination intended to support the above-stated purposes.

Most agreements place obligations on the franchisee to de-identify and disassociate with the brand (including online and social media); return, keep confidential and not use confidential information and trade secrets, including the customer list; and not compete for a period of time in the same territory. Well-drafted agreements also include more specific obligations to cancel advertising, transfer the phone number(s) and domain name rights and otherwise ensure the public-facing indications are removed, among other things. There should also be an express obligation to pay all amounts owed.

Further, well-drafted franchise agreements provide for rights to the franchisor to exercise self-help and take-over contracts with third parties with respect to the business. Finally, buy-back clauses (and in the circumstances of transfers, rights of first refusal), provide rights to the franchisor to the location.

STEP 2: REVIEW AND KNOW THE POST-TERMINATION PROVISIONS

Know the post-termination rights and obligations in the franchise agreement. A franchisor should review the post-termination terms before the termination or non-renewal and plan for enforcement.

STEP 3: CONSIDER THE GOALS AND PRIORITIES FOR THE LOCATION

A franchisor should consider its goals for the location and territory and prioritize the above purposes accordingly.

Often, the franchisor would like to keep the location or territory in the system, either by taking it over as a corporate location or having a new franchisee take it over. An important step in planning for enforcement of post-termination obligations is to analyze the legal and business options in this regard. For example, for any brick-and-mortar location, a franchisor should review ownership of the location and lease rights. If leased, is the franchisor the tenant with a sublease to the franchisee or is the franchisee the tenant? If the franchisee is the tenant, does the franchisor have the right to take assignment and assign it to another approved franchisee?

Other items to review include rights of creditors and suppliers. For example, are there liens against furniture, fixture, equipment, inventory and accounts? Do creditors (banks), suppliers or vendors have security interests and, if so, have they perfected any such security interests? Does the franchisor have security interest, has it been perfected and what are the priorities?

If keeping the location is desired, franchisors should evaluate buy-back rights and whether assisting the franchisee to sell the business to an approved franchisee is an option.

CHECK THIRD-PARTY INVOLVEMENT

In addition to landlords, banks and creditors, other third parties may need to be consulted or involved. If the franchisor does not intend to keep the location in the system, it must consider which third parties should be notified or involved in connection with de-identification (in addition to working with the former franchisee). For example, domain

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name registries, Web providers, suppliers, vendors, and advertising agencies, as well as providers of POS/data security, music and the customer list database, may have relationships with the former franchisee, including ongoing contracts.

STEP 4: ENSURE THE TERMINATION OR NON-RENEWAL IS PROPER, DOCUMENTED

It is important that the party terminating or not renewing follows the requirements of the franchise agreement with respect to termination or non-renewal, as well as the requirements of any applicable state relationship law. A franchisor should document the termination and post-termination enforcement correctly. When terminating or non-renewing a franchise, the proper notices with any applicable cure periods should be included.

Further, the franchisor should include notice of the post-termination obligations and demand compliance. The notice of termination should list the post-termination obligations with citations to the applicable provisions. If the franchisor plans to exercise a buy-back right or facilitate a sale, it should communicate the post-termination obligations intended to be enforced with the timetable and process. The notice should clearly lay out the de-identification terms, as well. Regardless of whether keeping the location, the notice should set forth the obligations relating to confidential information and disassociation with the brand.

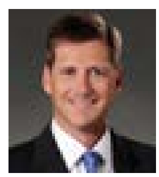
STEP 5: PLAN LEGAL ACTION AND CONSIDER SELF-HELP OPTIONS

Often, a franchisor must seek judicial intervention to enforce post-termination obligations. Again, a franchisor should know the terms of the franchise agreement, including those concerning dispute resolution, such as choice of law and venue. Also, one should review any arbitration clause. Although many arbitration rules incorporated into arbitration clauses provide authority to an arbitrator to award injunctive relief on an expedited basis, the practical time frames associated with appointing the arbitrator together with the heightened need for a court order, make arbitration generally ineffective to enforce post-termination obligations on a timely basis. Thus, well-drafted franchise agreements with arbitration clauses carve-out injunctive relief from the scope of the arbitration.

Timing is important for any action. The harm caused by a hold-over franchisee competing with the brand or using signage, trade dress and confidential information is immediate. This is generally an element the court must find to award preliminary injunctive relief. Accordingly, delay in enforcing rights can be seen as inconsistent with such a finding. In short, do not wait too long to seek to enforce post-termination obligations if the former franchisee is refusing to comply.

It is also important to evaluate the controlling law. For example, under the applicable law, what are the elements required to enforce the non-compete? Always important too is an analysis of potential defenses, like waiver, estoppel — so review the files, correspondence and interview the operators and others who interfaced with the franchisee to learn of any communication and actions that may be relevant.

Post-termination provisions serve important purposes and require pre-planning to increase the ability to enforce. Planning and evaluation of goals can save time and money and increase the effectiveness of these important provisions. ■



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Litigation Decisions and Their Long-Term Effects on Franchise Businesses

Parties and their counsel must consider the potential risks and rewards before charting a course.

BY KEVIN M. SHELLEY

EACH DAY, FRANCHISORS AND franchisees confront potential disputes with their business partners, suppliers, customers and regulatory agencies. Experienced business persons uniformly attempt to resolve disputes before getting counsel involved, at which time the parties' relative positions often become entrenched and the billable hours start to accrue, thereby further increasing the pressure to "win" through litigation.

Even those who are justifiably gun shy should think twice before resorting to a strict "no litigation" policy. Whether to embark on litigation often depends upon the nature of the issues presented and the spectrum of potential consequences. Particularly in disputes between a franchisor and one or more franchisees, the consequences of an adverse result can be substantial. An adverse judicial ruling or jury verdict may well affect, either directly or indirectly, the entire franchise system. In some cases, the cost and risk far outweigh any potential upside reward, and litigation should be avoided at almost any cost. In other cases, however, the risk of an adverse result in litigation may be outweighed by the potential systemic benefit arising from a positive result, either through a determination of the merits in court or through settlement. Careful consideration of the potential risks and rewards arising from litigation must be engaged by franchisors, franchisees and their counsel before ultimately determining whether to embark on substantial litigation. Two common franchise litigation issues are illustrative.

CONTRACT INTERPRETATION BY THE COURTS

Because the franchise relationship is fundamentally driven by the parties' franchise agreement, disputes often arise as to what specific provisions in a franchise agreement mean, and how they should be construed under evolving circumstances. These disputes are especially acute in older systems, where franchisees may be operating under franchise agreements signed 20, 30 or even 40 years ago, when business conditions were vastly different.

Because most franchise systems utilize standard-form franchise agreements, a dispute concerning the meaning of a franchise agreement provision can affect the entire system, not just the individual franchisee that is a party to the dispute. This potential systemic impact underlies the decision of whether to negotiate or litigate. Obviously, negotiation doesn't necessarily result in an agreed-upon solution, but merely offers the parties a chance to control the outcome in a way that provides both sides with a solution that is reasonably acceptable to them. One of the obvious benefits of negotiation is that the parties can limit their negotiated agreement to the parties to the dispute, without affecting similarly situated franchisees throughout the system.

On the other hand, should the parties be unable or unwilling to reach a negotiated resolution, they can always seek a judicial determination of what their franchise agreement means. The results, however, can be unpredictable.

One rather infamous case, arising from the Domino's Pizza franchise system, illustrates the point well. In Bores v. Domino's Pizza LLC, a group of Domino's franchisees sued their franchisor as a result of its decision to require all of its franchisees to purchase and install a "proprietary, comprehensive computer system created specifically for Domino's Pizza Stores," called "PULSE." The dispute hinged upon the meaning of the word "specifications" in the parties' franchise agreement. Plaintiffs refused to purchase the PULSE system, arguing that the only reason that Domino's had mandated PULSE was to generate additional revenue from its franchisees. The franchisees insisted that under the applicable language of their franchise agreements, Domino's was required to provide the franchisees with the "specifications" for PULSE and that they were entitled to purchase computer hardware and software meeting those specifications from any source, and not merely from Domino's. The district court agreed, holding that Domino's was required to provide the franchisees with its proprietary specifications for the PULSE hardware and software, and that they were entitled to acquire hardware and software meeting the specifications from any source. Thus was Domino's compelled to disclose the "specifications" of a proprietary, comprehensive computer system specifically designed for it — including, presumably, a highly proprietary software code.

Not surprisingly, Domino's appealed. Construing the same agreement, the Eighth Circuit came to the opposite conclusion: that the franchise agreement required plaintiffs to purchase PULSE from Domino's. As a result, the Eighth Circuit reversed the district court's grant of summary judgment in favor of the plaintiffs and remanded with instructions to grant Domino's motion to dismiss and enter judgment in its favor.

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Thus, the parties expended resources seeking judicial construction of a straightforward franchise agreement provision, to mixed results, when negotiation may have obtained a better result without the risk of a potentially disastrous result with system-wide implications.

FORTUNE FAVORS THE BOLD, SOMETIMES

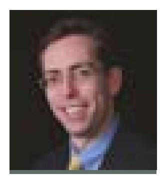
In an appropriate case, a franchisor may want to litigate with the goal of obtaining not only a positive result in a specific dispute with a franchisee, but to create precedent useful to it in other cases or potential disputes. Such a litigation decision is risky, certainly, since an adverse result may have adverse implications beyond the dispute at issue. But, especially in situations where the law is not well-settled and the franchisor has a good-faith and well-reasoned argument to clarify existing law, a franchisor may well decide to litigate.

Convenience store franchisor 7-Eleven Inc. recently faced two cases brought by former franchisees alleging that they received false financial performance representations from a 7-Eleven employee in connection with their purchase of their franchise 7-Eleven Stores. In both cases, the former franchisees asserted claims for common law fraud and for violation of the N.Y. General Business Law Sec. 687 N.Y. Franchise Act, which prohibits fraudulent or misleading statements in connection with the sale of a franchise. In both cases, 7-Eleven argued that specific, multiple disclaimers of the existence of, and reliance upon, any such representations in the parties' franchise agreement and elsewhere required dismissal of these claims. In the first case, Solanki v. 7-Eleven Inc., the U.S. District Court for the Southern District of New York declined to dismiss the NYFA claim, finding that the statute's anti-waiver provision precluded 7-Eleven from using the disclaimers to defend against claims under the statute.

However, only months later in a second case pending before Chief Judge Loretta A. Preska of the same court, 7-Eleven made a similar argument and prevailed, thereby clarifying an important provision of the NYFA. In Governara v. 7-Eleven Inc., 7-Eleven moved to dismiss the former franchisee's claim for violation of Sec. 687 of the NYFA, again arguing that the specific contractual disclaimers rendered any alleged reliance unreasonable as a matter of law. Judge Preska agreed, finding that such specific disclaimers of the existence of, and the plaintiffs' reliance upon, financial performance representations required dismissal of plaintiffs' for N.Y. GBL Sec. 687 claims. Judge Preska discussed and distinguished a number of earlier state and federal court decisions, including the Solanki decision, which suggested that such disclaimers either violated the NYFA or, at the very least, could not form a defense to a claim for a violation of GBL Sec. 687. Instead, Judge Preska found that the bedrock contract law principle — that specific disclaimers render reliance on the disclaimed misrepresentations unreasonable as a matter of law — applies with equal measure to common law fraud claims and to claims under the NYFA.

Thus, in Governara, the franchisor made a calculated decision to attempt to clarify existing law in a way that will be beneficial to it not only in the case at issue, but in all future cases alleging violation of the NYFA (and perhaps other similar state statutes). To the extent the franchisor is confronted by similar claims, surely its calculated decision to litigate this issue will pay handsome returns in the future.

To negotiate or litigate — it all depends. But parties and their counsel must consider the potential risks and rewards of both, upon the parties to the dispute and beyond, before charting a course. ■



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International Expansion: Doing It BOTH Ways

The bridge built by franchising is a true two-way street paved with promise.

BY FERENZ FEHER, CFE

Almost a decade ago, we realized that there was a great opportunity to construct a bridge connecting Mexico to the United States. The building blocks were U.S. based franchisors eager to expand to international markets and sophisticated Mexican investors thirsty for new opportunities. The last decade has seen many U.S. brands (and international concepts for that matter) land in Mexico and have successful operations in the country. Brands such as Auntie Anne's, Build-A-Bear, Cartridge World, Quizno's and Snap Fitness are an active part of the 1,450 franchise concepts operating in Mexico, of which 16 percent have their origin outside of the country.

MEXICAN FRANCHISES COMING TO THE UNITED STATES

No doubt there are still great opportunities to be found in Mexico as demonstrated by the latest commercial mission organized by the U.S. Commercial Service and the International Franchise Association in late 2014 as noted in December's Franchising World magazine. However, while the movement of concepts had been mainly from north to south, as the years have passed, the Mexican franchise systems have evolved and matured. We are now seeing capable, well-prepared Mexican franchises find success in the United States. It is not only the advancement of the franchise systems themselves that have prompted this migration, but also a U.S. market that presents ideal conditions to receive them.

Hispanics are the second fastest-growing ethnic group in the United States and constitute 17 percent of the United States population, or 53 million people, making the United States home to the largest community of Spanish speakers outside of Mexico. Hispanics, overall, are the second largest ethnic group in the United States and according to the Pew Research Center, they are now the largest ethnic group in California.

Mexican franchise systems are finding their way into the United States to serve these communities by satisfying needs that are not currently being met. Two great examples of this are Prendamex and Dulceria La Estrella, which are both Mexican based and have started operations in the United States specifically targeting the Hispanic community.

Prendamex is a financial services franchise offering collateral loans with more than 600 units in Mexico. Their two units in California (Los Angeles and Lancaster) have quickly established a strong presence in those areas by providing their clients a completely different experience than any other domestic competitor, tailored to their specific needs and having a very competitive offering.

Dulceria La Estrella is a candy store unlike any other in the United States offering products exclusively from Mexico, satisfying not only the sweet tooths of its customers, but also providing a sense of nostalgia and community that is unique. I have had the opportunity to be in a couple of the stores (they have four in all) and it is an incredible experience to see the faces of the customers as they walk in and find a specific candy or treat that they've had growing up in Mexico and can now enjoy again.

MEXICAN BRANDS TARGETING MAINSTREAM MARKETS

It is also important to recognize that there are Mexican brands that are making their way up, targeting more mainstream markets and not necessarily the Hispanics. A great example of this is Electrobike, a successful brand of electric bicycles born and grown in Mexico, now opening and franchising stores in the United States.

In a survey we conducted in 2014, we found that 65 percent of Mexican franchises intend to export their brand, and of these, 40 percent are interested in reaching the United States. This trend is surely to continue and we will be seeing more Mexican concepts in the United States.

U.S. BUSINESSES CAN BENEFIT BY EXPANDING INTO MEXICO

This new year has begun with great promise, as we expect to fulfill the international development dreams of many U.S.-based franchisors of opening operations in Mexico and thus expanding their reach. These brands have clearly understood the enormous potential that Mexico presents, not only as fertile ground to do business, but also as the doorway to Central and South America.

There are tangible benefits that Mexico presents to U.S. businesses:

- A market receptive (and knowledgeable) of U.S. brands.
- Sophisticated investors, both individuals and groups, that understand how to conduct business on both sides of the border.
- Geographical distance, where in most cases it is closer to travel from any U.S. city to Mexico than from Los Angeles to New York City.
- Local sourcing of most goods and services is readily available.
- A mature franchise culture.

All these factors lead us to firmly believe that the bridge built by franchising is a true two-way street paved with promise. ■

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U.S. Franchisors Explore Burgeoning Indian Market

IFA hopes to see more franchise trade missions to India over the next several years.

BY JOSH MERIN, CFE

The December 2014 Franchise Trade Mission to India opened with Thomas Vajda, U.S. Consul General in Mumbai, saying the bilateral economic relationship is on an upward trajectory with Prime Minister Narendra Modi "rolling out the red carpet instead of the red tape" for U.S. business. This was a recurring theme on the mission with President Obama's role as chief guest at India's Republic Day underscoring the upswing in relations.

TRADE ENVIRONMENT IMPROVEMENT

This improving trade environment comes at a fortunate time for U.S. franchise companies. According to a December 2014 KPMG study, franchising contributes $13.4 billion USD to Indian GDP each year. KPMG projects this contribution to GDP will more than triple, reaching $50 billion USD by 2017.

During the mission, representatives of U.S. brands FASTSIGNS, FOCUS Brands, Hertz, Make Meaning, Massage Envy, Orange Leaf Frozen Yogurt, Round Table Pizza, TITLE Boxing Club, Wing Zone and World of Beer explored expansion in South Asia. Participating companies called the mission an essential vehicle for expansion during a key window in the development of the Indian franchise market. The International Franchise Association hopes to see more franchise trade missions to India over the next several years during a crucial period in the development of a country projected to have the fourth largest GDP in the world by the end of the decade.

After Mumbai, the mission visited Bengaluru (formerly Bangalore), which is regarded as the Silicon Valley of India. At each stop, the mission received market briefings from local experts and U.S. government staff. As always, the core of the mission was matchmaking meetings between vetted Indian investors and U.S. franchisors looking for local licensees.

The mission then traveled to Delhi where participants enjoyed site visits and were hosted by the Franchise Association of India and the Federation of Indian Chambers of Commerce & Industry. The mission ended with a reception hosted by John McCaslin, the U.S. Embassy's minister counselor for commercial affairs. ■

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Mission participants and U.S. Commercial Service staff gather in Bangalore.

Josh Merin, IFA's director of international affairs, speaks to the Federation of Indian Chambers of Commerce and Industry.

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1. Trade mission members enjoy an opportunity to visit the Taj Mahal.
2. Mission participants share a ride on the way to a reception in Delhi hosted by the U.S. Embassy's Minister Counselor for Commercial Affairs.
3. Donnie Everts, vice president of international development, World of Beer Franchising Inc., meets with a prospective franchisee in Bangalore.
4. The BBC covers the IFA Trade Mission's visit to the Phoenix City Mall in Mumbai.
5. Mission representatives receive a briefing in Delhi from Devashish Dasgupta, director-corporate affairs, Yum! Restaurants.
6. Franchise trade mission participants confer during matchmaking meetings at the U.S. Consulate in Mumbai, India.

FRANCHISE RELATIONS DIALOGUE

International Franchise Association

Tap Into Franchise Relations Dialogue Forum's "Ask the Expert"

Thanks for sending questions to "Ask the Expert," the Franchise Relations Dialogue Forum feature of the International Franchise Association's member-only community, FranSocial. FASTSIGNS International CEO Catherine Monson, CFE, and Dwyer Group Executive Chairwoman Dina Dwyer-Owens, CFE, have responded with their expert advice about a variety of topics, including leadership, engaging and supporting franchisees, franchising under attack and much more.

Here are Monson's responses:

- **Leadership Through Major Systemic Change**
  Monson: At FASTSIGNS, it has included changing our model from a passive, reactive walk-in retail style to a proactive business development model; moving away from more commodity products to higher margin products and services; and expanding our product and services model to include non-signage products, as well as digital signs.

- **Engaging Franchisees**
  Monson: Each year since I have been at FASTSIGNS, we have conducted a series of regional meetings/town halls (typically in 12 to 18 cities) with our executives being the presenter and asking for input. I also conducted "Connect with Catherine" conference calls with the network every six weeks, offering all of our franchisees the opportunity to give feedback and input, ask questions.

- **Franchising Under Attack**
  Monson: The world is full of opposing forces and opinions. If we want to preserve the proven, successful franchise business model, we need to fight for it. I don't have a crystal ball and am not able to state, with certainty, how these things will end up. I do know that "politics is a contact sport" and many of the groups with opposing views to ours are more active, better organized, and in "more contact" with lawmakers and policymakers.

- **Positive-Negative Changes in Franchising**
  Monson:
  Positive: More sophisticated and knowledgeable franchise candidates due to the Internet and better resources to learn about franchising, the more informed the franchise candidate, the better, in my opinion.

  Negative: An increased attack on franchising by the unions resulting in an activist National Labor Relations Board working to change the definition of "joint employer;" the City of Seattle passing a minimum wage increase that discriminates against franchisees; the City of San Francisco considering some labor rules that will discriminate against franchisees, and other such activities.

- **Operational/Franchise Relations**
  Monson: I believe that the strength of the franchise model is utilizing the mind power and intelligence of both the franchisor team and the franchise network. Some of the very best innovations, product enhancements and marketing ideas have come from the field, from franchisees. Great examples include the Egg McMuffin and McDonald's getting into the breakfast business, and Subway's "$5 Foot Long." These are ideas that came from franchisees and resulted in network-wide changes. One method we utilize at FASTSIGNS is to listen to our franchisees, encourage their innovation and when ideas come up, help flesh them out together with our franchisees.

Dwyer Owens shares her views:

- **Transitioning from Founder Leadership to Professional Leadership**
  Dwyer-Owens: Never lose sight of where you came from. Having experienced that on a personal and professional level when my father and the founder of The Dwyer Group, Don Dwyer, died unexpectedly — it wasn't easy. But there are lessons we learned that made us a stronger organization through that transition. We have never lost sight of Don's mission, vision and values that he outlined when he created our company.

- **Franchising Under Siege**
  Dwyer-Owens: Franchising appears to be under siege of late from various state and federal agencies. From franchise relations laws to the opinion that franchises are not small businesses to employee/employer issues, franchising continues to be forced to defend its position as a strong business model with a clearly defined relationship between franchisor and franchisee. It appears there are just too many "decision makers" who do not understand what franchising is all about.

- **Balancing Franchisee and End User Needs**
  Dwyer-Owens: We actually have three types of customers in my mind. We have the employee, which I consider the internal customer of The Dwyer Group. I believe that we should provide our employees with the proper tools, resources, training, constructive feedback when needed and sincere praise when earned so they will take great care of our franchisees. I believe we are responsible for providing our franchisees with the proper support, training, and guidance, and more so they can properly serve the end user.

- **Measuring the Effectiveness of Operational and Marketing Support Programs**
  Dwyer-Owens: There are many different ways in which we measure results. One tool that we use to measure franchisee satisfaction is an annual survey that we alternate from an internal survey to an external survey conducted by a third party.

- **Getting the Most Out of IFA**
  Dwyer-Owens: Participate, participate, participate! The greatest way to benefit from the IFA is to get involved and attend the meetings. I highly recommend the Certified Franchise Executives™ program. And yes, I am personally grateful to the IFA for providing support during one of the toughest times in The Dwyer Group's history, when we lost our founder Don Dwyer Sr. I am also grateful for the role the association has played in the government relations side of franchising. Because of the IFA's expertise, the voice of franchising remains strong as we battle one of the toughest legislative times in our history.

Visit FranSocial often for more on the Franchise Relations Dialogue Forum, other community updates and to join member-only discussions. ■

How Franchisors Develop Productive Franchise Broker Relationships

Make sure brokers are informed, nurtured and consistently marketed to with honest, accurate information that will help them sell your concept.

BY LENNY VERKHOGLAZ

A question that heads of development and franchisors routinely ask themselves is, "Am I doing all that I can to grow my franchise with cost effective sales programs?"

This self-reflection is more common than ever before because of the litany of options available. There are many tactics franchises can deploy to spur growth, and with new digital lead generators and sales support systems emerging regularly, it's essential that franchise developers continue to do their analysis.

One channel for sales growth that I analyze closely and continue to find benefiting our system is the franchise broker network. The consultation expertise and capability to connect our concept with the right, qualified candidates are skills that allow us to further develop our business and focus on the performance of our existing units. Now, the question for you is, "Do I need to tap into the broker networks?"

When Executive Care decided to turn to the help of brokers, it saved us time and resources. Most importantly, we were able to advance our growth plans as desired. In the beginning we were relying too heavily on advertising portals. Instead of receiving promising leads, we got hundreds of unqualified candidates. Our analysis showed it wasn't the right answer for us.

For us, working with franchise brokers makes sense. We truly believe in this tactic because we have found that the right franchise broker-partners take time to learn our franchise and make emotional investments in our brand. They share the same end goals: Growth with franchise partners that will execute the model to provide high quality care to our clients, continue to raise the value of our system and increase the investment each franchisee has made in the business.

Considering their influence, think of working with brokers as a relationship that needs to be nurtured. As with all meaningful relationships, working with brokers requires attention and care to ensure a productive experience.

Here are three steps franchisors should take to ensure they develop productive relationships with brokers.

BE PROACTIVE

Before a franchisor is accepted into a broker network's portfolio, it must prove itself.

Brokers want to know that they are not making a mistake, or wasting their own time, trying to find leads for you. This is why brokerage firms have multiple steps in place to prevent this from happening.

First, the firm will research the franchise. The franchise infrastructure will be examined very closely.

"The worst thing that can happen is a franchise starts to receive qualified leads when it is not prepared for the level of growth that brokers make possible," said Meg Schmitz, FranChoice of Chicago senior franchise consultant.

Only if the infrastructure is ruled stable and fit for growth, will a franchise be brought into the inventory. Once entered, the franchisor needs to make the brand stand out, especially if the brand's market is saturated. As a franchisor, you are paying the broker network to help you. Don't you want to get your money's worth?

Go the extra step; make the additional phone calls to brokers. Let them feel your passion and share with them the reasons they should join you in the excitement.

ATTEND THE SEMIANNUAL CONFERENCES

Broker networks host semiannual conferences that are designed for franchisors. Franchises already part of the broker network inventory and ones that hope to join are invited to attend. Think of these as a very large, important "show and tell" events.

Attending these conferences offer a valuable opportunity for franchises to present themselves to the entire broker system. Even if already a member of its inventory, this is a prime chance to reposition the brand to the brokers. What is new? How is the brand progressing? Why is your franchise different than the others? These are some of the questions brokers want answers to. It helps them more easily connect your concept to their candidates.

"When we are at the conferences, we can see a dozen or more similar concepts," said Schmitz. "It is crucial that a brand stands out and makes itself known." Especially if you have not been receiving the desired attention from brokers, the conferences offer a way to capture and pull them in. Leave them with something they will not forget.

After the conference, call the brokers you met. Remind them why they should promote your franchise. Re-explain what the right candidate looks like to you.

HOST A BROKER-ONLY DISCOVERY DAY

Discovery days are designed to show potential franchisees what they will be buying into, why they want to be a part of the franchise and how the franchise is prepared to assist in the process of launching and sustaining their business.

Franchises should host a broker-only discovery day. This would mimic the discovery day for potential franchisees. But, instead of showing the franchisee why they want in, you show the broker why he should promote the franchise. At the same time, the broker gets a better understanding of who is the right candidate for the franchise.

The more informed and comfortable a broker is with a franchise the better. This is a great opportunity for the broker to meet the executive team. It will also show how prepared the franchise is for growth.

"If I'm feeling hesitant about a particular brand, sometimes I'll call and ask if I can come for a discovery day," said Schmitz. "Other times franchises invite me as they know it will help me help them."

One thing to keep in mind is the importance of guiding brokers to find the right leads. Remember, the franchise disclosure document has to list any franchisee that has gone out of business. Ideally, this number should be zero or as minimal as possible. If the broker doesn't understand your business well enough, the wrong lead might be referred. Franchisees who go out of business usually close because the franchise was not the right fit.

To be sure you are receiving promising, qualified and prepared leads, make sure brokers are informed, nurtured and consistently marketed to with honest, accurate information that will help them sell your franchise concept. ■

Lenny Verkhoglaz is the co-founder of Executive Care, a Hackensack, N.J.-based home care franchise that offers skilled medical and non-medical care. Find him at fransocial.franchise.org.

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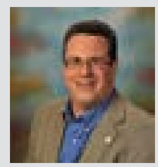

Five Smart Steps to Ease Tax Preparation

When do you start thinking about taxes? Be honest.

BY JOHN HEWITT

If you're like many small-business owners, you put taxes out of your mind until tax time. That's simply too late. Once the calendar year comes to an end, many options to materially affect the net income of your business have vanished for that tax year.

What follows are five steps you can take to make the tax process work better for you and your franchise business.

MAKING THE TAX PROCESS WORK FOR YOU

Schedule estimated tax payments. The IRS expects small-business owners to pay their tax liability as they make profits throughout the year. Many small-business owners do not make these crucial estimated tax payments. That failure can result in a large balance due and underpayment penalties. Small-business owners should meet with their tax professional throughout the year to assess their tax situation, ensure they are making the proper amount of estimated payments, and discuss strategies that can lower tax liability.

Maximize deductions. Every year, business owners miss out on deductions or credits that can help reduce their tax liability. According to internal data from ADP, at least 3,000 federal and state incentives are available, but 50 percent go unclaimed. That amounts to tens of billions of dollars that business owners are leaving on the table. Some purposely forgo the incentives, claiming the rules that go along with them are too complex or cumbersome. The complaint is valid; however, complexities in the tax code should not stop a business owner from investigating all the tax breaks available to him, then making a determination about which ones are best for the business to pursue.

The biggest obstacle this year may be Congress. Late last year, the president signed the Tax Increase Prevention Act of 2014. The act extended several tax breaks that had expired, but the law applied only to the 2014 tax year. It's up to the current Congress to decide if the tax breaks should become permanent, be eliminated or be altered. Two such breaks are the Section 179 deduction and bonus depreciation. Those breaks and others are explained below.

- **Section 179.** The Section 179 deduction can be used for qualifying business property placed into service in a given year. The deduction allows a business to recover all or the greater part of the cost than depreciation allows. Qualifying property includes property purchased for use in your trade or business and property used more than 50 percent for business in the year placed in service. Before the Tax Increase Prevention Act was passed, the Section 179 deduction was set to drop to $25,000. The late legislation left the deduction at up to $500,000 for 2014.
- **Bonus depreciation.** This tax break allows businesses to deduct 50 percent of their costs for computers and other new capital equipment purchases in the year in which they were purchased, instead of over several years. There is no doubt that bonus depreciation helps small businesses that take advantage of this deduction. It has provided billions in tax relief each year.
- **Business use of car.** Businesses can deduct actual expenses, including gas or oil, insurance, licenses and registration, interest on a non-lease auto loan, lease payments, parking fees, repairs, garage rental space and more. Or they may choose to deduct using the standard rate for miles driven. When using the standard mileage rate, businesses may also include fees for parking and tolls. For 2015, the rate is 57.5 cents per mile. Whichever method your business uses, it is essential that you maintain a mileage log.
- **Meals/Entertainment:** Businesses may deduct 50 percent

of business-related meals and entertainment expenses, including: travel away from home on business; entertaining customers at a restaurant or other location; and attending a business convention or business meeting.

- **Advertising expenses:** The following costs count as advertising expenses: business cards, newspaper ads, greeting cards sent to customers and sales literature.
- **Other deductible business expenses:** These include, but are not limited to commissions and fees, product liability insurance, insurance licenses, supplies, business telephone, interest on business loans, office expenses, gifts limited to $25 per person/calendar year, rent on business property, repairs and maintenance on office equipment, business and professional dues and trade publications and preferred customer programs.

Access health insurance. In 2016, Affordable Care Act rules for businesses with 50-99 employees goes into effect. That means those employers will have to provide health insurance coverage for their full-time equivalent employees or they may face a penalty. Now is the time for small-business owners to begin researching and evaluating health insurance plans to determine which plans may be the best for their employees and their bottom line. Some things to consider about ACA:

- The Health Insurance Marketplace offers options for coverage for individuals and their families. If you obtain coverage in the Marketplace, annual income from your business will be tightly coupled with your monthly premium costs. Changes in your net income from business could cause an increase or decrease in your monthly premiums.
- Businesses with fewer than 25 full-time equivalent employees have options for affordable coverage for their employees. They may be eligible for the Credit for Small Employer Health Insurance Premiums.
- Businesses with fewer than 50 full-time equivalent employees can take advantage of the Small Business Health Options Program. Currently, small businesses pay on average 18 percent more than larger businesses for health insurance. The SHOP Marketplace offers small employers increased purchasing power so they can obtain higher-quality coverage at a lower cost.
- Businesses with 50 or more full-time equivalent employees need to begin planning for the employer mandate and other reporting requirements associated with ACA.

Recordkeeping matters. Without good records, you open your business to cash flow issues and tax woes. Last year we introduced a tool to help small-business owners keep track of what they owe and who owes them. The double-entry cloud-based accounting software allows users to access it anywhere. The software won't replace a financial adviser, but it will help business owners keep records organized and in order. One plus with double-entry bookkeeping software is that for each credit you input, the software automatically includes the corresponding debit, and vice versa. The result is an accurate picture of your profits and loss.

Talk with your tax adviser. There's not much more to add here. Your tax adviser is the person who best understands the tax code and how it may affect your business. It's important to have an ongoing dialogue with your tax adviser so you can be sure you maximize deductions and take advantage of tax savings that will help improve your bottom line. Your tax professional can help you establish a plan and structure for keeping business records. He should encourage you not to mix business and personal financial records and to establish a separate business bank account or bank card. One of the first things the IRS will look at in a business audit is bank records, so it's important not to have muddied waters. Separate accounts will also help during tax time. Your tax professional will be able to review the business account and help properly classify expenses and income on your tax return. ■

John Hewitt is the founder and CEO of Liberty Tax Service, a tax preparation franchise firm. Find him at Find him at fransocial.franchise.org.

The Importance of Reclaiming Your Entrepreneurial Culture

Building a stifling corporate structure isn't always the best way to run your business.

BY TERRY POWELL, CFE

At the heart of any franchise brand is an entrepreneur who followed his gut and turned his passion into a lucrative business. Throughout its growth, it became necessary to make the business replicable, systematized and scalable to ensure success in franchising. This is also the stage where rigid job titles and a clear executive structure are brought in and it seems that franchise models rarely sway from this traditional system. Firing your CEO and shaking up the system in one swoop isn't a great idea, but why not consider an alternative approach to your internal team?

NATURAL EVOLUTION OF CORPORATE STRUCTURE

You're arguably past the hardest step of entrepreneurship and your business is doing so well that you decide to franchise. During this time, various changes need to be initiated to become a thriving franchisor. While it may be tempting to simply label yourself as CEO and begin hiring to fill in other seemingly essential roles, is it really necessary to completely rid your business of its entrepreneurial feel to ensure its success? When you're training a person to fit into a specific role, how do you allow his talents to shine? With a clear pecking order, how do you encourage your employees to think of themselves as more than just worker bees?

CREATE A HIGH-PERFORMING, ENTREPRENEURIALLY MINDED TEAM

Hiring to fill specific positions versus hiring someone based on his expertise could cause you to waste talent and decrease productivity. Not only do you squander the skills your staff might possess, you lose time training them to perform tasks outside their pre-existing skill set. This results in strengthening their weaknesses and not allowing for time to focus on personal strengths. Rather than hiring for definite roles, recruiting to fill gaps in talent will create a more entrepreneurially minded unique abilities team.

As the founder, you will greatly benefit from this type of structure. While the business is your brainchild and success is based on your ideas, performing the day-to-day tasks of a CEO may not be in the best interest of the company. Hiring someone to perform these tasks will allow you to focus on your vision and what made the business successful in the first place.

PROMOTE EMPOWERMENT

Creating a unique abilities team will be most beneficial if each team member has an ownership attitude. With a clear pecking order there is more focus on how you can increase your status within the company, rather than how you can best serve the company. C-level titles create a mindset of entitlement — at this standing within the company what do I deserve? Avoiding labels will promote empowerment — with this role in the company, how can I best contribute? Instead of being driven by the number of hours worked or how to get promoted to the next level, team members will feel driven to make real change in the company and have a greater sense of how each improvement affects them as a necessary component to growth.

This environment will also assist in hiring the right type of people from the beginning. Frequently, the people who thrive in a corporate structure are focused on processes and policies and do their job with these things always in mind.

Instead, you will attract employees who thrive in an entrepreneurially minding environment and drive innovation. While some processes and policies are necessary for the well-being of your organization, it's imperative that your employees not be stifled by them.

BUILD MUTUALLY BENEFICIAL RELATIONSHIPS

Along with empowerment comes the development of winning relationships between employer and employee. With C-level titles available for the taking, employees' motivation to positively contribute shifts from the desire to build a successful brand to solely worrying about personal achievements. They're driven by the possibility of promotion: If I do something for my company, what can it do for me? Eliminating distinct lines between management and team members creates mutually beneficial relationships and helps keep company growth as the ultimate goal.

In the same vein, people are frequently leaving their corporate jobs to pursue entrepreneurship through franchising just to find that they're re-entering a system they tried to leave. Recruiting for franchising is unsuccessful nearly 99 percent of the time, and this could be the root of the problem. Maintaining the entrepreneurial feel at the highest levels of the organization provides the franchisee with the lifestyle and work environment he's been seeking, and a happy and successful franchisee gives new locations and exposure beneficial to the franchisor. Winning relationships are essential in all employee-employer relations, and moving away from traditional corporate structure allows for more benefits on both ends.

ALIGN WITH YOUR CORE VALUES

While the traditional corporate structure is typically followed, it isn't always in the best interest of the franchisor or franchisee. Avoid creating a team of pigeon-holed members focused on how to best serve their own interests. Instead, create job descriptions tailored to everyone's specific strengths and shift focus from how each employee can improve his status to how he can contribute to the overall status of the company. Don't force your franchisees back into the environment they were trying to escape. Nurture the unique abilities of your team and mold your business structure to identify with your brand's core values. ■

Terry Powell, CFE, is the founder of The Entrepreneur's Source, an alternative career coaching franchise with hundreds of offices in the United States and Canada. Find him at fransocial.franchise.org.

Managing Multi-Units to Achieve Maximum Talent Development, Retention

As the world has changed, the job of a multi-unit manager has changed with it.

BY ROBERT BRANCA JR.

The franchising space today is becoming increasingly dominated by multi-unit franchisees, and this created the obvious need to establish the position of multi-unit manager in the often sprawling networks built by these franchise owners. Multi-unit managers are an essential component of the infrastructure necessary to operate a large network of franchise locations, and the requirements of the position have expanded right along with the accelerating rise of the multi-unit franchisee.

NOT JUST OPERATIONS ANYMORE

Early in the development history of growing franchise networks, multi-unit managers were responsible for typical unit-level management duties for a region of units. Essentially, multi-unit managers were responsible to "manage the managers" reporting to them for such things as compliance with brand standards to adherence to acceptable sales growth, payroll, waste and shrinkage parameters. As the world has changed, the job of a multi-unit manager has changed with it. These people are increasingly required to have a working understanding of anti-discrimination and other labor regulations sufficient to make day-to-day, on-the-spot judgment calls on matters that go far beyond meeting sales growth targets and service speeds.

For example, the National Labor Relations Board is seemingly bent on forcing this level of management into impossible situations with recent rulings of tightening response time frames and restrictions on managing the workplace in the face of disruptive labor activism, even when it stems from outside the workforce. Our regulatory environment grows increasingly more complex every year, whether related to labor, labeling, food sanitation or even waste disposal requirements.

Even more daunting can be the effects on the job of a major influx of new personal technology and connectivity. The managerial task of handling a disgruntled individual's ability to broadcast a one-sided account of a perceived poor consumer or employment experience to the world is stressful under the best of circumstances, as are the legal ramifications stemming from it. Multi-unit managers can easily become overwhelmed, and one of the main sources of frustration with their jobs has been that they have inadequate support to deal with these new challenges, even when they are satisfied with their level of compensation and benefits. Meeting the need for support in these new areas can be a critical factor that retains a top performer.

DON'T JUST SHOW ME THE MONEY; SUPPORT IS CRITICAL

The networks that employ multi-unit managers themselves differ vastly from one another. They range from simple family operations that have expanded as the second, and in some cases, third generations have entered the business of large multi-state, multi-brand franchisees that are often bigger than most franchisors. Indeed, there are even some large publicly traded franchisee enterprises.

While the publicly traded and other large franchisees have deep corporate structures that offer support in the way of human resources, legal and compliance departments, less formal employers often have only family members and outside

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professionals to support their in-field management team. This means that they cannot be as nimble with responses to the issues that arise daily in their units. Certain of these smaller organizations have second generation family members in the business who have graduated from law or business schools and maintain these support capacities at varying levels, but they are much less able to quickly respond to a multi-unit manager's plea for help in a crisis.

However, this does not mean that they are unable to retain good key people. Indeed, these types of groups often enjoy extreme loyalty because they make their multi-unit managers feel like they are part of the family and a big part of the success of the family business. Building that loyalty can come in the form of a series of small, but consistent actions such as sharing celebrations of successes both inside and outside of work. Another commonly cited measure is authorizing team members to be the public leaders of charitable endeavors in their own home neighborhoods, lending them the credit for positive community outreach among their own neighbors. When the team feels proud to be a part of your organization, the team tends to stick around.

INVEST NOW

When franchise owners network, an often overheard comment can sound like this: "It is much harder to run three units than it is to run 30." These people are referring to the growing pains that they endured as they transitioned from working in their units, to managing their units, to leadership of an organized enterprise.

While it may seem counterintuitive to franchisees who are just beginning to grow their networks and trying to conserve on every expenditure, building a supported infrastructure is critical to success going forward. Successful growth requires a firm foundation. Many franchisees lament not taking the steps earlier to establish a formalized office with dedicated staff and technology for its multi-unit managers to draw upon. These can take the form of simple libraries of correspondence to address commonly occurring problems with guests or regulators, to centralized, remote loss prevention monitoring, to in-house counsel and a professional human resources manager. In all cases, the goal is to make it easier for multi-unit managers to achieve the goals that the franchisee has set for them by giving them the right tools to do it.

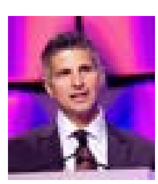
WHERE ARE THE SOLUTIONS?

Growing the skills of and retaining multi-unit managers is such a critical component of franchising today that some franchisees and franchisors have each established resources specific to the topic, especially for the non-publicly traded franchise network. For example, Dunkin' Brands has recently created and rolled out a new, continuing showcase that studies best practices for creating management cultures that foster and build people who will want to stay. While Dunkin' Brands doesn't mandate how franchisees structure the management teams of the businesses that they own, the common best practices frequently discussed by outside human resources experts are made available to assist franchisees in developing and retaining key people. This required a significant amount of time and resources to be invested by both the franchisor and franchisees of the system, as it is a comprehensive program involving numerous topics and sessions that franchisees and their teams needed to prepare for and attend. Other systems have made the same investment so that franchisees can learn which strategies work best.

Franchisees of different brands have also banded together to learn how to better develop their senior people. Attendance at events hosted by the International Franchise Association, the Coalition of Franchisee Associations and the Multi-Unit Franchising Conference is not inexpensive, but franchisees routinely attend all of them year after year. That is because one of the key components featured at these events is personnel development and the sharing of best practices on incentivizing and retaining people.

Attendance at these events and review of the materials provided by their sponsors is an excellent resource for franchisees. Often featured are numerous franchisee executives who have experimented with varying training, compensation, benefit and bonus programs and who are eager to share their results in seminars and panels. Specialized vendors of programs and services that offer tools for evaluation of applicants and annual reviews can provide the outside help that franchisees need to better retain their top talent. Expert management gurus and well-known authors are often keynote speakers, and they provide inspiration and advice on how to motivate a franchisee organization's team to achieve top performance. Networking conversations often coalesce around how and when a franchise network takes the big step of creating the right infrastructure to grow the empire, and what mistakes to avoid when doing it.

Each franchisee will have to decide for himself which particular programs and resources best support his multi-unit managers, as each brand and region of the country has its own set of specific obstacles to maximizing performance. However, by networking with other franchisees and collaborating with their franchisor's training departments, franchisees are often able to find solutions without undue, unsuccessful trial-and-error approaches to problems common to all of franchising. ■



Robert Branca Jr. is president of Branded Realty Group and Branded Management Group and owns more than 80 units throughout Massachusetts, New York and Ohio, as well as property development, construction and restaurant equipment manufacturing companies. Find him at fransocial.franchise.org.

Seeking Professional Advice and Planning Ahead Eases Tax Filing

Franchising's high-achieving, multi-unit franchisees share views on key topics.

QUESTION: What tips would you recommend to fellow multi-unit franchisees on preparing for the 2015 tax season?

Michael Day owns and operates 15 Jiffy Lube System locations throughout northern Virginia and one in Maryland. He's been active in franchising since 1988 and has 200 employees. Find him at fransocial.franchise.org.

DAY: "While you're occupied with filing your 2014 tax returns, there are some important issues that you should be aware of for 2015.

"After several delays, the employer mandate included in the Affordable Care Act takes effect in 2015. Beginning Jan. 1, employers with at least 100 full-time equivalent employees must either offer health insurance that meets the ACA's affordability and minimum coverage standards or be subject to an employer shared responsibility payment. For 2015, employers can avoid the payment by offering qualifying coverage to at least 70 percent of their full-time employees. Beginning Jan. 1, 2016, employers with at least 50 full-time equivalent employees are subject to the mandate, and they must offer qualifying coverage to at least 95 percent of their full-time employees.

"For several years, a business that purchased equipment could take advantage of 50 percent bonus depreciation in the year of purchase or could immediately write off up to $500,000 of purchases (Section 179 deduction). Those beneficial provisions expired in 2013, but in December 2014, Congress extended both to cover 2014 as well. Without further congressional action, bonus depreciation will not be available in 2015, and the Section 179 limitation will be only $25,000.

"Each year, the IRS adjusts several numbers to account for inflation and other factors. One important adjustment is the amount of income that is subject to the FICA Social Security tax, which increased to $118,500 for 2015. Also, the standard mileage rate for deducting business automobile expenses increased to 57.5 cents per mile.

"This is a partial list with very brief descriptions. Be sure to consult your tax advisor to discuss how 2015 tax changes might affect you."

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Ray Harrigill currently owns 12 Massage Envy Spa clinics in Mississippi and Louisiana, and has been with the brand since 2010. Aside from his Massage Envy franchises, he has six Palm Beach Tan franchises, four Hampton Inns and two Bumbers Drive-Ins, and previously owned Blockbuster Video stores and KoKo FitClubs. Find him at fransocial.franchise.org.

HARRIGILL: "Managing cash flow is the single most important task an owner must perform for their business. Owners frequently get caught up in earnings before interest, taxes, depreciation and amortization or net operating income analysis, but fail to focus on free cash flow after debt service and paying their income tax liability. In preparing for the upcoming tax year, I would recommend consulting with your accountant and evaluating the following to help minimize your tax bill and increase free cash flow:

"Evaluate needed repairs and capital expenditures. Once you have determined what your business needs and what you can afford to spend, plan to spend the money before the end of the tax year. Spending money can reduce your tax bill, but it is important to not spend more than your cash flow allows.

"Accelerate depreciation on your balance sheet. Evaluating your current depreciation schedule and determining whether any portion can be accelerated can dramatically reduce your current tax bill. An engineering-based cost segregation study, particularly if you own the real estate your business is in, is worth considering. You should also talk to your accountant about whether you qualify for Section 179 and 179D depreciation.

"Look for tax credits. Tax credits are a beautiful thing, but are much harder to come by. Unlike depreciation, which reduces your tax bill by a percentage, a one dollar tax credit reduces your tax bill by one dollar. There are tax credits that may be available to reduce federal taxes, as well as state taxes. Tax credits generally take some work and their availability comes and goes based on legislation. Take advantage of them when they are available. A service-based business should look at Work Opportunity Tax Credits and Empowerment Zone credits. Real estate-based businesses under development should check for New Market Tax credits and Historic Tax credits."

Mark Rosenthal and his partners operate nine Melting Pot restaurants in Houston, Nashville and Phoenix. Find him at fransocial.franchise.org.

ROSENTHAL: "With the inevitable tax law changes that each tax season brings, it is critical for a small-business owner to understand how new provisions will affect their business and the way they file their taxes.

"Finding the right accountant or professional advisor for any business is important for managing finances, but a multi-unit operator should always remain involved and aware of changes on this side of the business.

"When it comes to taxes, the most important thing I have learned is to be organized and plan ahead. Each November, my team and I will anticipate the profit picture of our nine restaurants to anticipate our tax liabilities and tax-related cash flow decisions to keep the business on track throughout the year. This approach will give any franchise owner a better understanding of his company's performance so that he can better manage his business.

"Another thing to consider is finding the right retirement plan for the company as a way of maximizing tax breaks. Over time, the money accrued from these tax benefits will add up to significant savings, helping to secure the financial future of the business owner and his employees.

"By becoming more knowledgeable about their finances and staying ahead of the game, multi-unit franchisees will be able to better recognize any potential tax advantages and pitfalls they may come across throughout the course of the year."

Leveraging STORYTELLING to Drive Franchise Growth

Understanding the basics of brand storytelling is essential — if you want your business to live happily ever after.

BY JEFF ODDO

There is nothing better than a great story.

The reason is simple. Great stories make people feel something, and those emotions create powerful connections between the audience, the characters within the stories and the storyteller. Stories create the trust needed to begin forming a relationship.

Many brands are using stories to build relationships with franchise prospects to increase sales and drive company growth.

The question you may be asking is, "What type of stories should my brand be telling?" And, "How do I tell our brand story in an effective manner to drive new franchisees?"

This article delves into the power of storytelling for franchise brands, and how franchisors develop powerful stories. Plus, it discusses how franchisors train their sales teams to become better storytellers.

Understanding the basics of brand storytelling is essential — that is, if you want your business to live happily ever after.

THE POWER OF STORYTELLING

Stories have the power to cross the barriers of time, past, present and future, and allow us to experience the similarities between ourselves and others.

One of my favorite stories has been told and retold for decades. It all began one day, many years ago, during a family business meeting where I expressed my disappointment with the career path that I had chosen that lead to being overworked, stressed and generally dissatisfied with the direction the company was headed.

In the week that followed, a local businessman named Mr. Cho stopped by my office to see about my willingness to subcontract a building for his team to service. Since our model was based on using in-house, hourly workers, the offer was regretfully declined.

Mr. Cho didn't stop trying. One evening I relented and asked him to meet me at a client's building. That evening, none other than Mr. Cho greeted me in the parking lot. He was standing at attention with his team of employees, ready to get to work. Thoroughly impressed with his tenacity and his team's professionalism, I allowed the crew I had brought with me as a backup to go home and Mr. Cho to service the facility.

Mr. Cho showed us the impact we could have by working with local business owners to provide a higher level of service and solutions for our customers. We went from being a small family business relying on hourly laborers, to an outsourced facility management company that could contract and expand with the help of our contractors to better serve our clients.

We have shared the story of Mr. Cho, our first contractor, with every one of our 40 franchise partners. Today, thanks in part to the divine intervention of Mr. Cho, we've expanded into more than 40 U.S. territories and achieved annual system-wide revenue of more than $100 million.

In many ways, this story is not about me or the evolution of our brand. This story is about every

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one of our franchise prospects. When we tell this story, we want our candidates to consider taking a chance, seizing the opportunity laid before them and achieving their dreams. We want our candidates to see the possibilities, to feel the connection and, most importantly, we want them to trust us.

THE MAKINGS OF A GREAT STORY

Great stories earn the trust of the audience from the very beginning. A story goes nowhere and offers no value unless a relationship with the listener is established. The basis for this relationship is trust.

To earn trust, stories must promise to reveal information that will be worthwhile to the audience. They must commit to deepening the audience's understanding of themselves and the world around them.

When audiences are promised content that is valuable, entertaining, emotive and simply enjoyable — even if it's branded — they create time to engage. Instead of sitting back and shutting off, audiences lean forward, open up and listen, often helping spread the message to their own audiences without prompting.

The key to providing the audience with meaningful information is to make them an active participant in your story. Audiences need to relate to, believe in, and care about characters for any story to truly resonate.

The key to providing the audience with meaningful information is to make them an active participant in your story. Audiences need to relate to, believe in, and care about characters for any story to truly resonate. Effective brand storytellers cast the listener as the hero of the story.

Whether it's the story of my father, me, or one of our franchisees, the key to engaging franchise prospects is helping candidates find themselves in the story.

DEVELOPING BRAND STORYTELLERS

Harnessing the power of storytelling is essential to driving franchise growth.

Poorly crafted or executed stories can cost the brand credibility, consumer or client confidence, and ultimately the sale. With so much at stake, it pays to train team members to become effective storytellers.

There are several steps involved in training franchise developers to become better storytellers including research, planning, practice and repetition.

Effective brand storytellers have a deep understanding of the buyer. Developing buyer personas and buying process maps is a great place to start. These tools can be helpful in understanding how to relate with the prospect.

Planning is another important step in developing a cohesive story that places the prospect at the center. Proper preparation ensures the story is effective at persuading the prospect to take action.

Practicing sharing the story is equally important. Communicating the story helps franchise developers discover new ways to address a buyer's fears and risks. Holding back from addressing buyers' fears doesn't stop them from occurring; it only stops the seller from providing a reasonable rebuttal. Familiarity with the story can help the franchise sales team combat buyers' concerns.

Repetition of the story will help the franchise sales team master the messaging. Through repetition, team members will come to learn how the solution can help each stakeholder achieve his personal goals.

FINDING THE RIGHT CONTENT VEHICLES

While developing the brand's story is important, the message won't be heard unless content is created, calendared and distributed across the appropriate channels—using the right content marketing tools.

Franchise developers have a number of tools at their disposal. From blogs to eBlast campaigns, social media platforms, landing pages and other online domains, franchise sales teams have a range of vehicles to use to share their brand's story.

The challenge is pairing the content and medium with the right audience and speaking to them the way they want to be approached. Younger franchise prospects often prefer LinkedIn, whereas older prospects would rather consume the same content through an email or phone conversation.

However the content is consumed, the story remains the same. Great stories drive an emotional connection between the audience and the brand to create and reinforce a relationship. This relationship is the key to winning a sale and boosting a company's bottom line. ■

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How to Effectively Close Portal Leads

Reflect on what is and is not working and put yourself in your customer's mindset.

BY ROB BENNETT, CFE, AND SUE BENNETT, CFE

With all the various methods of finding an excellent franchise candidate, closing a portal lead takes a specific skill set that is different from other lead generation sources. To effectively close a portal lead, there are two variables that must be scrutinized carefully to ensure a significant number of closings. First, you have to prudently choose the best portal vendor(s) that will produce a healthy return on investment, and secondly, you have to establish a well-defined sales process. If one of these two variables is not in perfect alignment, you will waste money and be convinced that Internet leads are an ineffective method of lead generation. To ensure the successful handling of a portal lead, here are several components you may consider as part of your process.

Choosing a portal company. When working with portal vendors, you will need to develop a strategy to determine which companies to work with and then monitor the results.

First, generate a list of potential vendors by asking others for trusted referral sources. Confirm how long they have been working with the portal, what is their pricing structure and why they recommend the particular vendor. Identify which portals they would avoid and why. This process will help ensure that you are choosing the best company for your needs.

As you contact each portal vendor, compare the following:

- **Pricing**
  - » Are the costs based on a monthly flat fee or a pay-per-lead program?
  - » Are there set-up fees?
  - » If you select a pay-per-lead payment program, how are credits handled?
  - » Will the vendor negotiate a lower price with more volume?
- **Term**
  - » Can you go month-to-month or will you be locked into a specific time frame before you can cancel the contract?
- **Billing**
  - » How and when will charges be invoiced?
  - » Do you have to prepay the lead costs at the beginning of the month or can you pay at the end of the month?
- **Guarantee**
  - » Does the portal company provide a measurement as to the quality or quantity of the leads or does this go "unchecked?"

Once the portal leads begin to enter your sales pipeline, you will need to:

Track the numbers. An important metric to analyze is the total lead cost/actual deals closed. For example, if you have a $15,000 annual total lead cost that resulted in five actual deals closed that year, your total lead cost/actual deal closed is $3,000. This number reflects the true return to your company, since closing deals is the prime objective with all portal leads.

Monitor this ratio monthly, allowing for at least three months of lead flow from each portal. This number allows you to compare portal performances with other lead acquisition sources. Do not simply look at the cost per lead as the sole indicator to determine whether a portal company is effective. This number can be misleading because it does not relate to the actual placement of a candidate.

Work with the portal as a partner and identify the metrics you will track on a frequent and consistent basis. This will keep everyone accountable and you will more readily meet or exceed your closing ratios.

Have a defined and consistent sales process. Write down every detail so that everyone on the franchise team is aware of how a sale is handled from start to finish. This is the cornerstone for consistent closings. You may also want to outline the process on your website and discuss the steps at the onset of your conversation. The candidate is generally

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impressed when your process is clearly defined. You may want to include the following items in your sales outline:

- What do we say on the initial conversation and how long do we need to be on the call?
- Should we get the candidate financially prequalified before we spend time on subsequent calls?
- What funding sources will we recommend?
- How does the candidate like to be communicated to: text, email or phone?
- How will the conversations be communicated to the sales team: internally or with a franchisor broker after each discussion?
- How do we handle the franchise disclosure document review, discovery days and concessions?

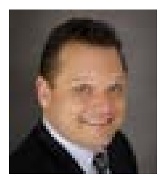
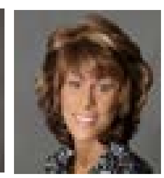
The more detailed you are with your process, the more successful you will be in closing portal leads. If you are not getting a candidate past a particular point in your sales cycle, you may also want to consider the following:

Reflect on what is not working. Take time to find out where the candidate is stalling and analyze why. When we first started working portal leads, we realized that we were requiring candidates to fill out too much information after the initial call. Of course, they weren't responding to our requests because we didn't build a rapport with them first. Analyze where your customer is losing interest, refine your process and then test it until the process works. Recently, on a call with a funding vendor, and after the conversation, the funder called and asked how he could improve his presentation. We were so impressed with his desire to improve. That's an example of refining the sales process through the ears of the listeners.

The final component to closing portal leads is to:

Think like a customer. As simplistic as this principle sounds, it is often overlooked when speaking with a candidate. We often forget that we are speaking to a real person and we don't take the time to chat and get to know his needs first before we present our opportunity. Listening closely to the candidate's motives will help you understand what he needs and you can provide valuable insights that may be hindering him from buying. Listening carefully also fosters trust and confidence in you. When you listen, you are conveying that you really care. Thinking like a customer involves listening closely to a candidate's needs and anticipating how to serve him with the highest degree of excellence.

Closing Internet leads is not a simple process, but this method of lead handling can be a very productive use of time if you prudently chose the best portal company(s) and refine your sales process with sharp precision. Take time to reflect on what is not working and put yourself in your customer's mindset. The rewards are priceless when one more person has an opportunity to own a franchise. ■

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TECHNOLOGY

When is a Mobile App the Right Choice?

By choosing the right strategy, and making sure you've taken users' needs into account, you should be able to determine if and when to create a mobile app.

BY GREG KIHLSTRÖM

There is no question that consumers are increasingly using mobile devices to access all types of content on the Internet. For instance, a Nielsen report from August 2014 shows that consumers are spending on average seven more hours a month using their mobile devices to access the Web and using mobile apps.

There are a few options that brands have to reach customers on mobile devices. You can choose to make a native mobile app, or you can create a mobile-friendly website. In this article, we'll explore the reasons why it makes sense to choose either a mobile app or a mobile website when addressing your next mobile customer experience challenge.

THE BENEFITS OF A NATIVE APP

A mobile app, or a native app, is downloadable software that is meant to run on a particular device. Apple's iOS devices (iPhones, iPads) or phones and tablets running Google's Android mobile operating system are the most common platforms for mobile apps, though Windows and Blackberry also have native apps for their respective devices.

CONVENIENCE

It's hard to beat being one click away from an important task or a set of features. This is one reason apps are so tempting to create. It is also why an app that solves a unique problem or gives a customer access to something he needs quickly and easily is a good solution.

SINGULAR FOCUS

Another benefit of an app is that it can be a very simple, focused experience. Instead of a website that has to be everything to (almost) everyone, an app can be built around a very specific purpose. Placing an order or finding a location are two common uses for apps, and instead of making your customers sift through eight to 10 navigation choices to find these options, an app can put them front and center.

NATIVE INTEGRATION

Another benefit of an app over a traditional website is its ability to tap into device-specific features such as cameras, GPS and other things that a standard browser-based website cannot access. If your customer would benefit from access to one of these things while interacting with your company, an app might be a good choice for you.

THE CASE FOR A MOBILE OR RESPONSIVE WEBSITE

Four or more years ago, if a company wanted to have a website designed to enhance the mobile user experience, it would need to create a separate website that was designed and coded specifically for smaller screen sizes.

A few years ago, the term "responsive design" was introduced to our vocabulary, and this approach to website design and development allowed a website to automatically resize and reformat its interface to respond to the screen size a user is viewing it on.

This responsive design approach has become increasingly popular and is being used much more often than the former approach of creating a separate, standalone mobile website. Responsive design can also offer a compelling alternative to creating a mobile app.

FLEXIBILITY

The responsive design approach gives you the ultimate in flexibility across devices (desktop computers, laptops, tablets and smartphones), and even screen sizes among those various devices. If your responsive website is built properly, you won't be caught off guard by new devices launching with bigger screens or different resolutions. It is the most "future proof" way of addressing an online experience.

Of course, the cost of flexibility is that you lose the simplicity and the focus of an app. You are, in essence, "cramming" all of the content of your full website into a different view that is optimized for a different device size. Most of the time this is a good thing, as consumers switch between devices and generally expect to access the same content wherever they are.

RESOURCES

A responsive design website is more efficient with your time and money as well. A very important factor when considering a mobile app is to determine the resources — both time and money — you have to invest in your mobile customer experience. An app is essentially a standalone software application, and in many cases each operating system (iOS, Android, Windows, etc.) you support requires an investment in creating a completely standalone application.

While there are some development tools that allow you to create cross-platform apps, the responsive design approach never requires building separate applications or websites for different devices.

HOW TO CHOOSE

Now we understand the differences between the two approaches, it's time to decide what the correct approach is for your company. The factors to consider are the following:

WHAT DO YOU WANT USERS TO ACCOMPLISH?

If you have a handful of activities that you would like your customers to accomplish, and enabling them to find and focus on these quickly and easy is a benefit to both you and them, a mobile app could be a very good thing.

ACCESS TO NATIVE FUNCTIONALITY

If having access to cameras, mapping functionality and other native phone functionality is important, that should be a factor in your decision of whether to choose to create a mobile app or a responsive website.

COMPANY RESOURCES

In addition to the time and cost associated with building and maintaining separate applications for different mobile devices, also keep in mind the time it takes to manage content across a website and one or more mobile apps. If your mobile app is transactional, it may be well worth the investment if it provides another purchase pathway to your company's products or services.

A "SAFE BET" APPROACH

Another way to approach this decision may be to take it slowly. Create a mobile-friendly responsive website that makes the mobile user experience much better than your current one. If you've already done this, take a look at your analytics to see what devices your customers are using, what content they are accessing on mobile devices and any other useful information you can find. This may help you to determine if you should approach a mobile app, and if you do, what the app should help your customers accomplish.

Your decision to create a mobile app can greatly enhance your customers' experience, or it can simply be a drain on your resources. By choosing the right strategy, and making sure that you have taken your users' needs into account, you should be able to determine if and when to create a mobile app, as well as what it should do. ■

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10 Ways Franchises Can Drive Traffic Via Automated Marketing

The more appropriate any conversation can be between a company and its prospects, the more likely those prospects are to become customers.

BY CHRIS MARENTIS

Franchise businesses have unique advantages and challenges when it comes to marketing themselves in the local arena. On one hand, they can enjoy financial support from a larger corporate entity, as well as the overall branding awareness that comes with name recognition. These can be highly beneficial and are often some of the main reasons for choosing a franchise operation.

On the other hand, the need to establish a business as part of a local community and drive traffic to a website or physical location can be more difficult when owners rely solely on corporate marketing efforts. Fortunately, the power of today's automated marketing solutions can help local franchise owners do this affordably and without putting an undue load on themselves or their employees.

Following are 10 ways that franchises can use automated marketing to help drive traffic to their businesses:

1. AUTOMATE CONTENT PUBLISHING

A continual stream of fresh, localized content published across multiple platforms can positively impact local franchise search engine optimization, as well as help franchisees to cultivate relationships with local customers.

Franchise business owners have to balance the amount of time it takes to manage content publishing with the amount of time they have available. Those who have historically shied away from revving up their content engines because of resource limitations can now automate publishing of blogs, articles, social media and more.

2. SIMPLIFY LOCALIZATION OF CONTENT

Automated marketing solutions not only help to make it easier to push out more content more frequently, but they also dramatically simplify localizing that content. National franchise chains may focus on their brand or perhaps a region, but individual franchise owners will want to focus on neighborhoods and areas within a city. By using keyword-suggest tools that determine the highest value keywords for any given locale, the guesswork of the past falls by the wayside.

3. CREATE LOCAL PAGES

Automation can seriously simplify the task of creating local pages or even microsites for the locations in your network. Once in place, your franchisees will have a better chance of being found by customers searching in their service areas.

4. STREAMLINE USER EXPERIENCES

From an SEO perspective, when both websites and their corresponding lead generation materials are localized, the results can be far better than when marketing materials are localized, but a site is kept generic. Automated data distribution and updates allow for a unified local experience of a brand and ensure data is kept current, even as locations change.

5. CUSTOMIZE EMAILS

Gone are the days when businesses settled for sending one basic email to everyone on their lists, as well as past the days when each email was custom written for each recipient. By implementing targeted mailings, multiple messages can be sent to sub-segments, utilizing the information captured by your database.

The offers and messages in those emails can be better targeted to their intended audiences, thereby improving the effectiveness of each email. For example, a designated email can go out to any customer who abandons his online cart mid-purchase, while a completely different email can be sent to any customer who signs up for a new account. Furthermore, emails can be sent with local news, in-store sales and other timely, location-specific information.

6. SYNCHRONIZE CALLS TO ACTION

Whether in emails, on landing pages, in social posts or elsewhere, customizing calls to action is the next logical step in tailoring the user experience and taking advantage of the information that can be so easily captured.

Taking the example from above, without automation, people who have abandoned carts or signed up for new accounts might receive an email that simply tells them to "visit our website." With the right automation solution, however, the former group would be encouraged to "complete your purchase now" while the latter could be prompted to "shop now."

7. USE SEARCH RETARGETING

Emails are not the only marketing activity that can capitalize on actions particular users have already taken. Search remarketing lets businesses identify customers who have landed on their sites and left without converting — and display ads to them during their next Web search.

Unlike display retargeting that shows ads to people at random times and locations when they are online, search retargeting only shows ads to people when they are actively seeking the same thing they looked for on a particular site. By appealing to people when they are in an active search mode, the draw to click through and visit again is increased.

8. AVOID ASKING TWICE

It is a logical pet peeve of any consumer. You have an interaction with a business and provide them information about yourself and maybe what you are looking for. In a subsequent interaction, you are asked for the same information again.

Franchises can put technology to work for them to prevent this scenario and instead of pushing back the relationship with the customer, move it forward by asking for additional information that very clearly takes the next step toward a site visit and ultimately to conversion.

9. TEST

Testing different approaches to an email or a landing page can help businesses to identify the most effective strategies for winning new customers. With the right platform, small-business owners can run A/B tests — which split tests a piece of content by creating two versions of the same content with one small variation such as a different subject line or use of a different color as a way to determine what your audience best responds to — that auto-segment email recipients and site visitors at the click of a button.

10. MEASURE

Yes, this is Marketing 101, but it needs to be said because there are still too many businesses that do not take advantage of the metrics available to them. Automation has even made metric capture simpler so that franchise owners can get the meat of what they need with greater ease.

Certainly the overarching theme here is to become more granular, more customized and more targeted with all marketing efforts. The more appropriate any conversation can be between a company and its prospects, the more likely those prospects are to become customers.

When done manually, this level of detail and work would be completely impossible for most local franchise owners. Fortunately, that is not the only option available today due to the growing demand for marketing automation platforms in the franchise technology marketplace. ■

Chris Marentis is CEO of Surefire Social, a marketing technology and services company. Find him at fransocial.franchise.org.

PHILANTHROPY

IFA President & CEO Supports SOME Charity

Affordable housing and expanded job training focus of capital campaign.

International Franchise Association President and CEO Steve Caldeira, CFE, joined philanthropists and other corporate and association leaders to raise money to support So Others Might Eat, or SOME, during the organization's recently conducted 28th Annual Gala and Silent Auction. The dinner was designed to raise funds to benefit SOME's $20 million capital campaign to develop a property on Benning Road, S.E. in the nation's capital to transform it into a multi-purpose facility. The facility will provide affordable housing, an expanded job training program, SOME offices and a medical and dental clinic. SOME's chief mission is to provide permanent housing for those who are homeless.

Caldeira serves on SOME's Corporate Advisory Board and was a Silent Auction co-chairman for the 2014 event and will return as a Silent Auction co-chair in 2015.

The number of homeless persons in the District of Columbia, including veterans, was 7,748 in 2014, according to SOME and the number of persons in homeless families in Washington, D.C. increased by 50 percent in the past five years.

SOME is one of the many charitable initiatives IFA supports. During IFA's 55th Annual Convention, the association kicked off Franchising Gives Back and its yearlong service initiative.

From left, Liz Gannon and IFA Dir. of Grassroots Advocacy Chris Krueger; IFA Pres. & CEO Steve Caldeira and Jane Caldeira; IFA Senior Vice Pres., U.S. & Intl. Dev. Scott Lehr and Jill Lehr; and IFA Vice Pres. of Franchisee Engagement & Industry Relations Mark McSteen and Karen McSteen gather during So Others Might Eat gala.

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And **J.B. Bernstein,** legendary sports marketing agent and author/subject of the movie *Million Dollar Arm*, will conduct a marketing training session designed to help you further develop your brand reputation.

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Off the Field: Recruiting Athletes to Your Franchise

Having professional athletes, current or retired, as a part of your brand can truly raise your profile to the next level.

BY STEVE SAUNDERS

The notion of professional athletes being involved with your brand can be an attractive one. They have the potential to attract several consumers, and hold a certain level of influence in the community that raises the profile of any organization or business they're involved with.

With more and more professional athletes investing in franchise businesses, considering how to attract them to your brand isn't an unreal possibility. However, there is a recruitment process, not unlike the one that gets these athletes to their sports organizations. And this means a business owner should consider many things when looking to bring current and retired athletes to their franchise. Considering the following tips might increase your chances of acquiring new franchisee teammates.

1. Get in Their Scene. While recruiting professional athletes to your franchise follows many of the same protocols as recruiting any regular investor, you have to consider that, in some respects, they aren't like regular franchisees. It's not as easy of a courting process. There are several facets that need to be considered when looking to attract athletes to your brand:

- **Agents.** Getting to know athletes' agents or managers can be your direct line to them. These are often the people who will provide you access; if they feel you're out simply to cash in on the stardom or aren't providing a good investment opportunity, the door will be shut quickly. However, if you get to know them, talk about their athlete-clients' aspirations and understand what those performers are interested in, you stand a much better chance of gaining access to potential franchisees.

- **Money Managers.** Athletes looking to potentially invest in becoming franchisees will likely turn to a financial advisor, or money manager, for help in figuring out which business will best suit them. In most cases, agents direct athletes to their money managers. In other cases, many professional athletes turn to family members as investment partners or advisors. Either way, connecting with money managers, personal or professional, can provide a strong insight as to whether or not athletes are the right franchisees for your business.

- **Professional Organizations and Conferences.** Like any good business owner, former and current professional athletes who are looking to extend their resumes beyond the field might attend conferences and join organizations to learn about franchise and investment opportunities. Some of the more popular organizations include the Professional Athlete Franchise Initiative, which conducts several events through the International Franchise Association, and the Pro Athlete Business Group, which offers events conducted by former pro athletes and recruiters. Attending events staged by these organizations is a guaranteed way to not only give you face time with athletes, but allows you to lay the foundation necessary to talk with them about future investment opportunities.

2. Understand Athletes' Goals, Both Personal and Professional. As you're aware, there are several different types of franchisees. Some are single-location owners, while others may be multi-unit investors. The same is true for professional athletes looking to get involved with franchises.

Just like any investor or potential franchisee, it's important to understand not only their professional goals, but their personal ones as well. If an athlete is investing in your business, you should inquire as to the state of that prospect's career. Is the pro currently on a team roster, and is there already cash flow? Or, is the athlete heading into retirement, and looking for the next source of income?

Another question to ask is what kind of franchisee the athlete is interested in becoming. Does this prospect want to open a single unit and run it himself? Is there interest in becoming a multi-unit franchisee, and opening a few locations within a certain mile radius of each other? Or perhaps, the athlete is looking for a major investment, and thinking of opening upwards of 100-plus units.

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Most importantly, it's vital to understand the personal motivation behind a professional athlete looking to get involved in your franchise. Will this person be fully dedicated to owning and operating this business? Will the athlete display the same kind of tenacity, drive and motivation that allowed success on the field? Making sure the goals you have as a franchisor align with the goals athletes have as potential franchisees is a key step in the recruitment process.

3. Make Sure They are Qualified, in All Respects. It may seem redundant to question whether or not a professional athlete is qualified to invest in your franchise. However, you shouldn't just consider financial merit. There are other qualification factors to consider. These can include:

- Attitude
- Work Ethic
- Dedication
- Infrastructure

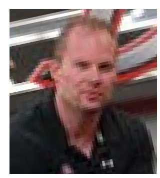
Another major part to take in to account is the support athletes can provide within the franchise. In fact, this can tie-in directly to the role previously held within one's sports organization. For example, are your potential franchisees former captains or assistant captains? Were they leaders or respected figures on the team? Did others turn to them in times of challenge and hardship?

Additionally, does the pro grasp the concept of the team? If the athlete is someone with a history of being a "me" person, perhaps never passing the puck or giving credit to his teammates, there might be some concern whether he can not only lead a team, but function as a vital part of one, as well. After all, it is no longer about the individual member, but about the overall brand.

Lastly, it is important to consider the effect this person will have on your company and brand. For example, if most of the attention he procured during his time in the pros was negative, that might carry over into his business ownership. However, if the athlete was a positive on-field figure with strong community ties and respected in the league, the likelihood that reputation will continue as he becomes involved with your company is strong.

As is the case with any franchisee, ask yourself: Will this person detract from my brand equity or enhance it?

It's important to remember that just like any other investor, a professional athlete looking to invest in your franchise trusts your business model. An athlete may have explored hundreds of options, and settled on yours as the best one. Having an athlete, current or retired, as a part of your brand can truly raise your profile to the next level. Above all else, athletes are accustomed to achieving success, and will continue that trend as their focus shifts from on the field to their franchise. ■



Steve Saunders is the founder and CEO of Power Train Sports, a Pennsylvania-based sports performance-driven fitness concept with more than 18 locations nationwide, and several professional athlete franchisees. Find him at fransocial.franchise.org.

TRENDS

Business to Business Models in 2015 and Beyond

The B2B franchise model will continue to enable owner-operators to be the faces of their companies and control the customer experience while still having support of a franchise network.

BY REED NYFFELER

Business-to-business models might not be the first thing that those unfamiliar with our industry think of when they hear the word "franchising." Fast food and "fro-yo" probably hold that distinction, but business services had the fastest projected growth rate within the franchise sector (itself a huge growth industry and job creator), according to Franchise Business Economic Outlook: 2014, prepared by IHS Global Insight for the International Franchise Association's Educational Foundation. And it looks like that category will keep growing.

Why the growth? B2B is just that cool. Also, having emerged from some rough financial times in the past decade, entrepreneurs are seeing business-to-business franchise opportunities as a potentially more stable option than business-to-consumer endeavors. Here are just a few things that should keep B2B on top over the next few years.

THE CHANCE TO WORK WITH LEADERS

The economic downturn that came to a head in 2008 was the end of the concept of monolith businesses with huge internal departments that have no direct relation to the company's product or service. A marketing department that once would have had a team of 10 or 15 people might now be shrunken to a manager and one or two staffers. Can you think of a company in your town that hires its own security patrol?

Instead, businesses of all sizes are subcontracting to smaller companies that specialize in the needed services, so the contracting business can focus on doing what it does best.

This is great for clients, because they are working with an owner-operator: someone who is truly invested in giving them a positive experience. It also provides an excellent opportunity for the franchise owner (in some cases, even one who is just starting out) to prove themselves worthy of playing in the big leagues with companies that have already established themselves as leaders.

STEADY CASHFLOW

The B2B model tends to have more consistent revenue. You're relying on signed contracts that you have with other businesses, not whether customers are going to walk through your door. Knowing where your money is coming from and how much you can count on makes it easier to manage and plan your operating budget, make hiring decisions, secure credit, plan growth and even prospect for new business.

MORE CONTROL OF YOUR DESTINY

Most entrepreneurs choose to invest in a business rather than put that money in the stock market, because they trust themselves to make it pay off. This can be especially true with B2B franchises, since mainly, you are seeking out your customers, rather than them finding you. The networking you do, the business organizations you join and the way you market yourself will help you build the clientele you want.

SKILLED WORKFORCE

Many B2C industries don't require too many special skills, which can lead to workplace apathy and high employee turnover. With B2B businesses, you have more opportunity to attract team members who already have many of the skills your job requires, and who may be looking for career advancement. If they view your job as a potential career, rather than a paycheck, they will work harder for you and your clients — and if they are hungry for advancement, they will stick around for the long haul. For example, we're going to see B2B continue to be a great choice for veterans who are new to civilian life and may not have college experience, but do have incredible discipline and a strong work ethic. These are the kinds of employees that can really help a business thrive.

LOCATION FLEXIBILITY

Many B2C franchise owners are beholden to a long-term lease for their business. They then have to absorb whatever remodeling costs it takes to bring their business up to brand standards. By contrast, most B2B franchisees have few restrictions, either from the parent company or from a marketing point of view, as to where they can operate their business and what it looks like besides the signage and other limited recognition items. The ability to rely on social media and technology to stay in front of customers 24/7 will continue to make location even less of a factor. While it's true that many franchise networks stipulate that a franchisee must have an office outside of their home, where that office exists is up to the needs of the business owner, not the traffic pattern of prospective customers.

EASIER EXIT

Because there is less volatility in non-recurring monthly revenue, a B2B business tends to be easier to sell — a prospective buyer can look at your contracts versus your monthly receipts. This will also enable business owners to take on partners and secure financing to grow their businesses.

That's especially important because another trend that has emerged is that more entrepreneurs are partnering with others to form franchise groups. We are getting away from the idea of a lone franchisor jumping into business and trying to juggle every aspect from planning, to operations, to personnel decisions, to marketing. Very few people can do it all well, and even fewer can grow their business significantly without help.

By partnering with others who have the same vested interest in the success of your business as you do, but different specialties, you gain scalability and growth potential.

We have come to demand flexibility and responsiveness in all things, and successful business owners do whatever they can to satisfy that demand. Whether it's B2B or B2C, many business decisions are now driven more by experiential factors than any other consideration. The way a client feels when he deals with you rates higher than your pricing, your brand's "story" or even your convenience when it comes to signing on the dotted line.

The B2B franchise model will continue to enable owner-operators to be the faces of their companies and control the customer experience, while still having the full support of a franchise network behind them. This means they can continue to prioritize client satisfaction while overseeing a personally and professionally rewarding business. ■

Reed Nyffeler is CEO of Signal 88 Security, a private security firm. Find him at fransocial.franchise.org.

VET★FRAN®

A STRATEGIC INITIATIVE OF THE INTERNATIONAL FRANCHISE ASSOCIATION

★ SINCE 1991 ★

Valpak Targets Military Veterans for Direct Mail Success

The military trains its leaders to be mission-oriented, which translates well to the end game of customer service.

BY GREG COURCHANE

Mike and Robyn Lozier

For decades, Valpak franchisees have built their own successful small businesses by helping other local business owners achieve their goals. Our signature Blue Envelope was and is a simple marketing concept. Targeting specific nearby neighborhoods and sharing the cost of the envelope's postage, local businesses can efficiently and effectively advertise to prospective customers directly within their trading area.

The concept of "shared direct mail" has certainly evolved over the years, and while our company now mails more than 20 billion coupons reaching nearly 40 million demographically targeted households each month in more than 100 markets, we also complement that with Internet and mobile advertising. It is vital that we continue to innovate and lead the industry by introducing digital advertising products with not only our smartphone apps, but continue to evolve and look for new strategic digital partners so that we can continue to be relevant to today's consumers.

Our network is as strong as the franchisees we continue to bring into the fold, however, and the most important part of Valpak's growth is with our franchise owners. One area of strong recruitment for the company is with military veterans. In 2012, we initiated a veteran's incentive program to support returning U.S. military veterans seeking to start a Valpak franchise. By waiving start-up fees for qualified, honorably discharged veterans, we make it easier for them to start their franchise business and receive training at no direct cost. The savings amount can be up to $32,500.

In addition to offering these deep incentives, Valpak is a proud member of the International Franchise Association's VetFran Program, committed to hiring and recruiting veterans and military spouses as team members and franchise owners. Thousands of service men and women are transitioning out of the military and need opportunities to succeed in the civilian economy. We strive to give them the financial incentives and training needed to do just that. Valpak has also been named to two prestigious lists recognizing franchises that go above and beyond in helping military servicemen and women achieve their goal of business ownership. The company earned a spot on the Best for Vets: Franchises list compiled by Military Times EDGE and has been selected for G.I. Jobs' Military Friendly Franchises list.

The veterans' community is filled with deserving military heroes whose experience and dedication make them ideal business owners.

CONVERTING LEADERSHIP SKILLS

One such hero is Valpak franchisee Mike Lozier. After 15 years serving in the U.S. Marine Corps, Lozier was searching for a next-chapter career opportunity that would allow him and his wife, Robyn, to go into business together. They were already familiar with Valpak after watching Robyn's parents operate their thriving franchise in New Jersey. In 2007, the couple bought a majority of her parent's Garden State territory and went into business together with Mike as chief executive officer and Robyn as president. They recently expanded in 2014, acquiring an additional 150,000 households in nearby New Jersey markets.

Mike is a wonderful example of converting leadership skills acquired in the military into entrepreneurial success. He served for 10 years in the enlisted ranks and then five years as a finance officer. His background and training are impressive and range from intelligence analyst and Marine Reconnaissance to close combat instructor. In addition, he completed challenging training courses such as U.S. Army Airborne School, U.S. Army Ranger School, Combat EMT Training and U.S. Army S.E.R.E. (Survival, Evading, Resistance, Escape), also known as POW School. This intense training background and discipline has helped to create a strong, passionate and loyal business leader.

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Transitioning from serving your country to serving your customers and leading employees has its challenges, to be sure. Mike learned that managing civilians takes a softer touch, and barking orders drill sergeant-style doesn't do much to motivate a team of salespeople. The military does, however, train its leaders to be mission-oriented, which translates well to meeting deadlines, managing multiple tasks and keeping the end game of customer service in mind all along the way. Mike knows how to stay organized and operate under pressure. Having been in situations where his life depended on carrying out orders, thinking on his feet and getting the job done, he and service members like him are the ultimate in team players and leaders.

Military veterans have experienced the honor and tremendous responsibility of serving our country, so finding a satisfying and fulfilling career afterward can be a tall order. With Valpak, they find an opportunity to be in business for themselves and grow their business while helping other small-business owners do the same. They find a proven system to follow that is much like the structured environment they experienced during military service with a very direct and detailed process designed for success.

All Valpak franchisees benefit from extensive training and support including more than 300 hours of classroom, in-field and online training. Our peer mentoring program pairs tenured franchisees with new franchisees for a two-year period. One of Valpak's key differentiators is the incomparable technology we provide our franchisees. From lead generation to ad design and order process, to printing coupons and providing the software to run the franchise, Valpak creates efficiencies so our franchisees can focus primarily on sales and working with their clients.

Military veterans and other ideal candidates for Valpak franchise ownership should possess a desire to join a trusted industry-leading brand, work within a proven franchise system, develop relationships with local businesses and have a comfort level with selling new, digital technologies. Franchisees should also possess a minimum liquidity of $75,000, and a minimum net worth of $150,000.

Valpak appreciates our military veterans for the service and sacrifice they provide to our country and the impact they make in their post-military life. They are the ultimate target market. Hard work and commitment are in their DNA, and their dedication and passion for success is inspiring to our business and to others. When servicemen and women channel that determination into our franchise opportunity, there is no limit to what they can achieve. ■

Greg Courchane is director of franchise sales for Valpak. Find him at fransocial.franchise.org

IFA Welcomes Air Force Veteran as New VetFran Program Manager

Eldridge's efforts will build on the success of IFA's VetFran program.

U.S. Air Force veteran George Eldridge joined the International Franchise Association in January as program manager for VetFran, the franchise industry's strategic initiative to help veterans, military spouses and wounded warriors transition to civilian life through employment opportunities and franchise ownership.

Eldridge oversees veteran relations, educational programming for veterans considering careers or ownership opportunities in franchising and the VetFran Committee, helping IFA continue its award-winning efforts for veterans. He also works closely with a network of more than 650 franchise brands that voluntarily offer financial discounts and training for aspiring veteran franchisees and veterans seeking employment.

Eldridge's efforts will build on the success of IFA's VetFran program that has helped increase the number of veterans who have found employment in the industry to more than 203,000 with 5,600 becoming franchise owners, with more than 50,000 finding employment and more than 400 becoming franchise owners in 2014 alone.

"George Eldridge brings significant dedication and past experience to the association as we continue to expand our educational programming and outreach for veterans," said IFA Pres. and CEO Steve Caldeira, CFE. "Veterans are a natural fit for franchising because they are highly trained to work as part of teams, follow a proven organizational structure and excel in leadership. I am happy to welcome George to the IFA team and look forward to his future successes as he steps into this critically important role."

Eldridge graduated from the U.S. Air Force Academy and has served as an Air Force intelligence officer for the past 12 years. He has completed tours of duty in Korea, Iraq and Germany. He recently returned to the Washington, D.C., area and is pursuing his master's degree in business administration at George Washington University. ■

Maximizing Opportunities With International Delegations

Take advantage of trade show platforms to grow your brand overseas.

BY SONIA PERRONE

Now more than ever before, franchising is a major U.S. export as consumers in emerging economies respond to the familiarity of established American logos. The trend has been driven not just by the large franchise systems, but by up-and-comers as well. In fact, more than 500 U.S. franchise brands have more than 50,000 locations in foreign markets, according to Franchise Times. Given that 95 percent of the world's potential consumers are beyond U.S. borders, there is much market potential to be tapped. So where should franchisors turn to recruit top quality international candidates? One answer is industry trade shows.

One of the most well-known of these is the International Franchise Expo conducted annually in New York City, sponsored by the International Franchise Association. According to MFV Expositions, franchise industry's premier annual event producer, last year the IFE attracted more than 19,000 visitors and nearly 4,000 of those were international participants. This year's numbers are likely to reach more than 20,000 attendees with a significantly increased presence of foreign franchisee prospects.

The IFE has once again been selected for 2015 by the U.S. Dept. of Commerce as one of the limited number of expos worldwide to participate in its International Buyer Program. As part of the program, the agency's U.S. Commercial Service will work to help international buyers find quality product and services franchises during the trade show. International buyers who are visiting as representatives or qualified companies receive free admission to show exhibits, discounts on symposia rates, free matchmaking for concepts, assistance arranging and scheduling appointments with U.S exhibitors and companies, access to the International Business Center, and more.

"Our expos have gained recognition as first-class international shows, where foreign attendees have face-to-face conversations with representatives of top brands in franchising and develop dynamic business relationships," said Tom Portesy, MFV Expositions president. "The International Buyer Program assists international visitors in meeting with targeted exhibitors to cultivate partnerships and promote the sale of U.S. products and services."

International Franchise Expo visitors learn about franchise brands.

Franchise companies seeking to connect with international franchise candidates are aware there are limited opportunities for those interactions to take place here in the United States. The IFE is recognized as a significant opportunity to make those vital connections necessary for international development.

EXPOS ATTRACT HIGH-QUALITY PROSPECTS

According to the Center for Exhibition Industry Research, 81 percent of trade show attendees have buying authority and 45 percent of attendees visit only one exhibitor per year. What does this mean? The prospects attending expos are above-average candidates and franchisors have a small window to connect.

UNDERSTANDING THE VALUE OF FACE-TO-FACE INTERACTION

Many franchisors see the chance to meet face-to-face with many prospects as the reason why expos, such as the IFE, are popular as they consistently attract a high-quality pool of foreign buyers, investors and distributors. Many franchise brands are seeing a significant percentage of signed franchise agreements stemming from in-person meetings at industry trade shows. Whether this results in your first meeting with the prospect or it is someone you have been communicating with for months, meeting in-person allows a direct, personal connection that is otherwise more challenging to develop.

Taking advantage of this opportunity with international prospects will set the foundation for a long-term relationship as the potential partnership further develops.

Crowds gather for International Franchise Expo.

BUILD RELATIONSHIPS WITH LOCAL CONTACTS

With such an expanding global market taking shape, it makes sense for franchise brands to expand internationally. Other than the traditional route of welcoming international delegates to U.S. expos, franchisors are finding value in investing in exhibitor opportunities at international trade shows. This opens the doors for possibilities to establish relationships with serious local prospects.

For example, Tutor Doctor, the fastest growing "in-home" private tutoring franchise worldwide, was invited to be part of the Official IFA Study Tour to Australia. Not only was the trip highly beneficial for the top executives to learn about the market and start building key business contacts, but it was fundamental to the launch of Tutor Doctor's first and now second Australian territories.

"The National Franchise Convention gave us the opportunity to meet with and learn from influential board members of the Franchise Council of Australia, as well as leaders from some of the top franchise companies operating in Australia, who shared their acquired insight and best practices for successfully expanding into the Australian market," said Frank Milner, CFE, Tutor Doctor president. "Thanks to our involvement with this international trip, Tutor Doctor is well on its way to opening 10 additional territories over the next year to reach 80 total units throughout Australia by the end of 2019."

Additionally, Wayback Burgers, recognized as one of the most aggressive and ambitious better-burger brands, has found international delegates to be of the utmost importance; they are a tremendous source of knowledge of what works and what does not work in their respective countries when appointing master franchisees. Currently, the company is signing on two new master franchisees for Canada, one in Alberta and another in Toronto. Nigeria and Pakistan will be next to join the Wayback Burgers family.

"The several international delegates I have met with personally couldn't have been more eager to guide me in searching for the right master franchisee candidate for our brand," said Bill Chemero, CFE, Jake's Wayback Burgers executive vice president. "I would highly recommend reaching out to the delegates of the countries you have interest in establishing your brand and take advantage of their guidance before starting your recruitment plans."

The 2015 IFE will be conducted June 18 to 20 at the Javits Center in New York City and will feature more than 450 franchise opportunities. The IFE offers the most comprehensive conference on franchising, including more than 70 free seminars along with in-depth symposiums. This is a one-of-a-kind opportunity to meet entrepreneurs from the United States and more than 90 countries from around the world.

Attendees can also learn best practices from industry experts hosting educational symposia geared toward every stage of the franchise journey. For details, visit http://www.ifeinfo.com/. For more information on MFV Expositions franchise expo shows, visit mfvexpo.com. To exhibit, call 201-881-1666 or krosalen@mfvexpo.com. ■

Sonia Perrone is the group marketing director at MFV Expositions, the producer of leading franchise events worldwide. Find her at fransocial.franchise.org.

CONGRATULATIONS

2015 CFE Graduates!


Caitlin Alexander
Kids' Nite Out Across America


Marisa Allen
Tutor Doctor Systems, Inc.


Corby Anderson
Nexsen Pruet


Peter Baily
Luxottica Retail of Austrailia


Kate Bartosik
FRANdata


Katrina Basallo
GLOBAL MAX SERVICES PTE LTD ROHQ

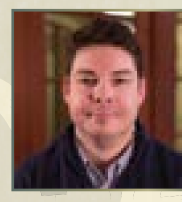

Cyd Bascar
Solerex Water Technologies, Inc.


Mari Baxter
Senior Helpers


John Bebeau
One Hour Heating & Air Conditioning of Toledo, OH


Robert Bennett
FranFinders, LLC


Sue Bennett
FranFinders, LLC


Devin Bevis
FirstLight HomeCare


David Beyer
Quarles & Brady


Deb Binder
Ingage Consulting


Brian Bissell
Kids' Nite Out Across America


Earl Blood
Sport Clips, Inc.


Remy Bola
Tutor Doctor Systems, Inc.


Connie Boltinghouse
Sport Clips, Inc.


Lauren Borer
Marco's Pizza


Patrick Boyd
Right At Home, Inc.


Tony Buccheri
Right At Home, Inc.


Bill Bunting
Franchise Marketing Systems


Lewis Burch
The Dwyer Group


JD Busch

For more information on the CFE program, see www.franchise.org/cfe.aspx.


Tarji Carter
Dunkin'Brands, Inc.


Michael Cavanaugh
Engineering For Kids


Mahmoud Chahrour
Franchise Development Services Ltd.


Scott Chorna
The Johnny Rockets Group, Inc.


Donna Christopherson
The Dwyer Group


Greg Cook
International Franchise Association


Kelly Cortinas
Gold's Gym

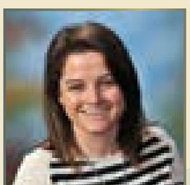

John Covilli
Dale Carnegie & Associates, Inc.


Michael Daigle
Cheng Cohen LLC


Paul Damico
Moe's Southwest Grill


Shawn Dan
Standard Register


Kristina Davis
Team/MHC Franchise Services


Lindsay Demeter
Hertz Equipment Rental Corporation


Mark Denney
The UPS Store®


Charles Dobyns
Franchise Dynamics, LLC


Dan Doulen
Buffalo Wings & Rings


Chris Dowling
Philly Pretzel Factory

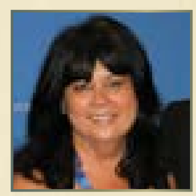

Benjamin Drake
Pita Pit, Inc.


Chris Eby
Firehouse Subs


Steven Edelstein
ProSource Wholesale Floorcoverings


Michelle Fayad
Dunkin'Brands, Inc.


Mary Feldman
Mathnasium Learning Centers

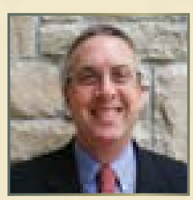

Karin Ferretti
Pirtek USA


Dirk Ferrell
Pita Pit, Inc.


Chera Focazio
Massage Envy Franchising LLC


Kevin Foley
The UPS Store®

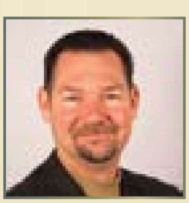

Brett Freilinger
Dunkin'Brands, Inc.


Brian Gay
AlphaGraphics, Inc.


Joe Genovese
First Watch Restaurants, Inc.


Craig Gjelsten
Mr. Electric

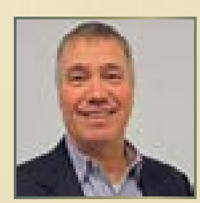

Edward Goitia
Tilted Kilt Franchise Operating LLC


Gene Graham
Mirrorcle Franchise Group, LLC


Jim Green
iFranchise Group


Daniel Gunderson
Express Services, Inc.


Dustin Hansen
InXpress


Dave Hartung
Safeguard by Team|MHC

(Continued on page 78)

For more information on the CFE program, see www.franchise.org/cfe.aspx.

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Greg Haskett
The HomeTeam Inspection Service, Inc.


Julie Hayes
Little Sunshine's Playhouse


Lisa Henkel
Celebree Enterprises


Darin Hicks
AlphaGraphics, Inc.


Donald Higginson
The UPS Store®


Mark Hong
Cinnabon International Inc.


Scott Hoots
Doctors Express


Shafina Hussain
Safeguard Franchise Systems, Inc.


Brent Jones
West's Insurance Agency


Shay Kalmanovich
Golden Year Management Group


Shannon Keeney
The HomeTeam Inspection Service, Inc.


Joshua Kovacs
Engineering For Kids


Randy Krzyston
The UPS Store®


Stephani Kyle
Bridgeline Digital


Nelson Lang
Pita Pit, Inc.


Aimee LaPak
FranchisEsource Brands International


Ma. Teresa Laurel
CATER KING FOOD CORPORATION (GOTO KING)


Andrew Lawrie
Gallagher


Hector Ledesma
Hatsue Enterprises


Todd Leonard
Executive Care


Chris Lewis
H & R Block, Inc.

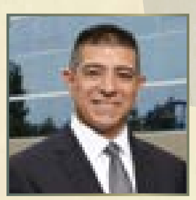

Tim Lightner
Two Men And A Truck of Madison and Racine/ Kenosha, WI


Sam Gregory Lim
BLIMS Lifestyle Group Inc.


Peter Lindsey
Sport Clips, Inc.


Jane Lombard
The Franchise Shop


Adam Long
The HomeTeam Inspection Service, Inc.

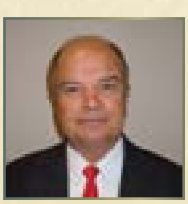

Eric Maida
The UPS Store®


Jason Mann
Planet Smoothie of Altamonte Springs, FL


Aimee Marquez
Philippine Seven Corp. (7-Eleven)


John Marsh
Kumon North America, Inc.


Megan Martell
Driven Local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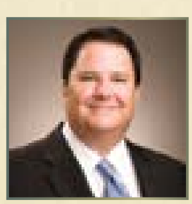
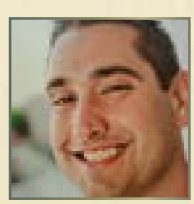
Clockwork Home Services


Mark Melton
Molly Maid of Santa Barbara/Ventura, CA


Josh Mercurio
We Olive & Wine Bar


Scott Milas
Jake's Wayback Burgers


Judy Milner
The UPS Store®

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Josh Minturn
Signal 88 Franchise Group Inc.


Bill Morabito
FRANdata


William Morgenstern
Firewurst Holdings, Inc.


Ronnie Musick
The Dwyer Group


Cliff Nonnenmacher
PuroClean, Inc.


Emma Nucum
Philippine Seven Corp. (7-Eleven)


Kim Nunez
Primrose School Franchising Company


John O'Brien
PoolWerx Corporation Pty Ltd


Gwyn O'Kane
Pirtek USA


Glen Padilla
Seaoil Philippines, Inc.


Sara Pantaleo
LaPorchetta Pizza & Pasta Restaurants


Roel Perez
U-Franchise Sales & Management, Inc.

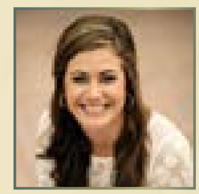

Amy Perkins
Ben & Jerry's

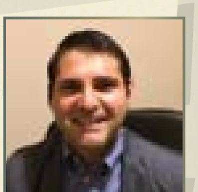

Richard Peterson
Kiddie Academy


Paul Pfeiffer
Hungry Howie's Pizza


Matt Phillips
Five Star Painting


Reynaldo Pingol
Leslie Corporation

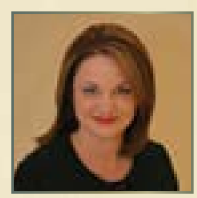

Ashley Pollard
Front Burner Brands

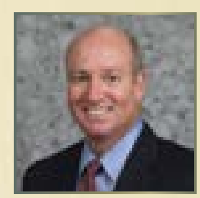

Ian Poole
Dunkin'Brands, Inc.


Bill Powers
Clockwork Home Services


Edward Quinlan
Harris Research, Inc.


Rehum Rabadan
Jay/Seaoil Philippines, Inc.

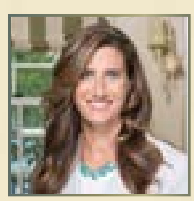

Susan Rabel
i9 Sports


Steve Rafferty
Dunkin'Brands, Inc.

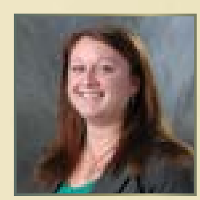

Michael Reyes
EMPENO REYES FOOD CO. LDT.

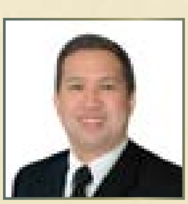

Gretz Rivera
GLOBAL MAX SERVICES PTE LTD ROHQ


Ricardo Rivera-Badia
All Around Franchise Consultants

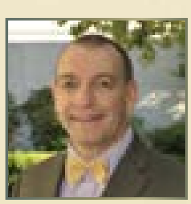

Meg Roberts
Molly Maid, Inc.

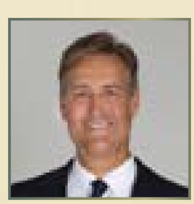

Doug Rogers
Mr. Appliance

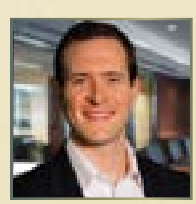

Andi Ruth-Negrini
Miracle-Ear, Inc.

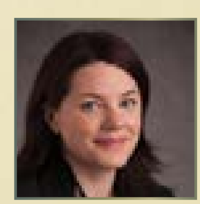

Richard Sanz
Philippine FoodAsia Corporation


Brian Savage
Dunkin'Brands, Inc.


Philip Schram
Buffalo Wings & Rings


Scott Simcik
FGP Commercial Leasing


Clint Smith
CallSource


Amy Stanosheck
Right At Home, Inc.

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Jon Steward
Great Clips, Inc.


Scott Taylor
Last In Concepts


Adam Terranova
Philly Pretzel Factory


Barbara Timm-Brock


Daniel Todd
Clockwork Home Services


Alexander Tuneski
DLA Piper LLP (US)


Ilyn Van Opstal
FRANCORP PHILIPPINES


Carlotta Walker
Kumon North America, Inc.


James Walker
The Johnny Rockets Group, Inc.


Alexandria Watson
FranchisEsource Brands International


Philip Watson
Tropical Smoothie Cafe


Michael Weaver
Pearle Vision


Dave Wells
Sport Clips, Inc.


Shannon Wilburn
Just Between Friends


Anna Wilds
FranChoice


Steve Willis
Steamatic, Inc.


Chris Winslow
Innovation Pavillion


Cheryl Wood
Zaxby's Franchising, Inc.


Ralph Yarusso
Grease Monkey International, Inc.


Rick Yohn
Clockwork Home Services

Not pictured:

Chris Adkins
The UPS Store®

Miguel Diaz

Abigail Fronda
Seaoil Philippines, Inc.

Chris Goethe, PMP
Primrose School Franchising Company

Justin Livingston
Coyote Ugly Saloon

Chris Mangum
Gallagher

Arturo Monasterial
Seaoil Philippines, Inc.

Michael Paul
Pack and Send

Jerry Wright
Comfort Keepers