IFA
INTERNATIONAL FRANCHISE ASSOCIATION

Franchising
Building local businesses, one opportunity at a time.
IT’S NOT ABOUT TECHNOLOGY,
IT’S WHAT YOU DO WITH IT:
Business Management Tools to Help Franchisees Manage Their Business
Speakers:
Ken Switzer, VP & CFO Marco’s Pizza
Barrie Young, CFE, President Sales and Franchising, Snap-On Tools Company, LLC
Aslam Khan, CEO Falcon Holdings, LLC

Moderator:
Janet Muhleman, CFE, President, re:group inc.
QUESTIONS FOR THE PANEL

• How can you make it easy for franchisees to use financial analysis and business modeling to help grow their business?

• How can you integrate marketing data into your operating systems so franchisees can immediately see results?

• How do you eliminate the inherent distrust between franchisor and franchisee?

• How do you effectively use communications technology to get everyone on the same team?
KEN SWITZER, MARCO’S PIZZA

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MARCO’S PIZZA

- 32 Year old Pizza Carry Out/Delivery concept
- Branded on “Authentic Italian”
- 21 states plus Bahamas
- 278 stores. Opened 61 in 2011, 33 in 2010
- Expect to open 90-102 stores in 2012
- Area Representative growth model
MARCO’S PIZZA

- $250,000 to $300,000 to build a store
- Same Store Sales up 8.5% in 2011
- Significant resources in franchisee support
- Significant support on obtaining financing
  - Financing team
  - Captive leasing company
  - Captive loan loss guarantee company
TOOLS TO HELP FRANCHISEES MANAGE

- Financial reporting systems
- Training systems (online and classroom)
- POS driven reporting system
- Intranet web site
FINANCIAL REPORTING SYSTEM

- Common financial statement format
- Common “Chart of Accounts”
- Collection of franchisee financial statements
- Identification of variance from benchmark and key performance indicators (KPI), and feedback to franchisees
TRAINING SYSTEMS

• On-line training ("Marco’s University")
  – Everything except “hands-on” training
• In-store training: process, checklists, tests, etc.
• Classroom training (Corporate office)
CLASSROOM TRAINING

- Education on store development process
- How franchisees and office works together – initially and after the store opens
- “Being in Business” Training
  – “It's not how much money you make; it's what you do with it”
“BEING IN BUSINESS” TRAINING

• Accounting and Finance 101 Class (4 hours)
• Managing For Profits Class (5 hours)
• Sharing of our goal: “We want our franchisees to be happy, profitable and growing”
POS DRIVEN REPORTING SYSTEM

- Key performance indicator reporting on monitors in-store
  - Instant reporting of food and labor cost
- Real time reporting to internet “Dashboard”
- Data feeds to corporate office mgt. reports
Store:

- Business Day: 01-17-2012
- Net Sales: $1,738.87
- Adjusted Gross Sales: $1,746.73
- Coupons: $7.86
- Total FLC %: 20.58
- Average Ticket: $17.05
- Total Orders: 102
- Orders over 19: 1
- Order over 19 %: 1.96
- Voided Sales: $6.00
- Cheese %: 0.00
- Lunch Sales: $652.12
- Online Sales: $77.05
- Online Orders: 4 orders
- Online %/Sales: 4.43

Product Counts:

- Salads
- Wings
- Beverages
- CheezyBreads
- Subs
- CinnaBreads
- Pizzas

Labor:

- Labor Cost: $367.29
- Labor Hours: 53.22 hrs
- Labor %/sales: 21.03%

Deposits:

- CC Dep: $0.00
- Web CC Dep: $0.00
INTRANET WEB SITE

• Based on FranConnect Franchise Mgt. System
• Comprehensive web-based management system for franchisors and franchisees
• FranConnect reports 450 concepts supported
• Over 90,000 franchised units supported
• Marco’s brands ours as “Ciao Net”
Kudos Report
01/05/2012 01:44 PM

WEEK 52 KUDOS REPORT

Congratulations to the following franchisees for their record week in sales!

Terry Tsavoussis
Chris Tsavoussis
Stuart (Stu) Field
Jack Alexander
Polly Michaels

Top 10 OTD times

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<thead>
<tr>
<th>Store</th>
<th>OTD</th>
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<tbody>
<tr>
<td>8009</td>
<td>0.56%</td>
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<tr>
<td>1137</td>
<td>0.92%</td>
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<tr>
<td>8047</td>
<td>1.11%</td>
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<tr>
<td>7004</td>
<td>1.30%</td>
</tr>
<tr>
<td>1181</td>
<td>1.75%</td>
</tr>
<tr>
<td>1171</td>
<td>2.22%</td>
</tr>
<tr>
<td>8101</td>
<td>2.34%</td>
</tr>
<tr>
<td>8001</td>
<td>2.90%</td>
</tr>
<tr>
<td>8006</td>
<td>3.31%</td>
</tr>
<tr>
<td>7403</td>
<td>3.77%</td>
</tr>
</tbody>
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Top 10 SSS %

<table>
<thead>
<tr>
<th>Store #</th>
<th>SSS %</th>
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</thead>
<tbody>
<tr>
<td>8037</td>
<td>34.4%</td>
</tr>
<tr>
<td>1140</td>
<td>31.8%</td>
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<tr>
<td>8048</td>
<td>25.0%</td>
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<tr>
<td>1010</td>
<td>24.3%</td>
</tr>
<tr>
<td>1063</td>
<td>24.0%</td>
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<td>8052</td>
<td>19.6%</td>
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<tr>
<td>8047</td>
<td>19.2%</td>
</tr>
<tr>
<td>8046</td>
<td>17.7%</td>
</tr>
<tr>
<td>6004</td>
<td>16.7%</td>
</tr>
<tr>
<td>5005</td>
<td>16.4%</td>
</tr>
</tbody>
</table>
CIAO NET

• “Everything Marco’s”
• Library of all manuals, forms, resources
• Franchisee/Franchisor Forums
• News and Calendar
• All franchise information (Permissions based)
• Store Opener (187 item checklist)
• 347% increase in Log-ins in 2011
ON-LINE ORDERING

• On-line ordering is significant and growing
• “Customer is always right”
• Reduces labor cost of taking orders
• Feature rich customer database
INTEGRATED MARKETING DATA

• Preparation of Annual Marketing Plans
• Cooperative effort by all parties
• Design is based on a “Flow Chart” where advertising plans and results are tracked
• Effectiveness of advertising communicated
• Flow Charts are maintained on SugarSync (on-line “synching” and back-up)
MARKETING DATA SHARING

• Marketing data and plans instantly update across web accessible platform
• SugarSync platform – “permissions based”
• 5GB free with multiple options
• DropBox is good alternative but 2 GB free
• Communications technology helps get everybody on the same page
• Ciao Net (FranConnect) provides easy way to communicate “Everything Marco’s”
• Marketing data file sharing (SugarSync) helps improve cooperative planning process on advertising (or anything else)
ELIMINATING DISTRUST

• It’s a “Work in Process” for us
• Best technology tool to reduce distrust is the **TELEPHONE**
• Franchisors reduce distrust by doing things that prove they have the franchisees best interest at heart
• Success depends on what the franchisor sees as their “Mission Statement”.
KEY “TAKEAWAYS”

• “Being in Business” training
• Financial reporting systems
• Appropriate communication tools
• **Success** depends on what Franchisor sees as their Mission Statement. What is yours?
IT’S NOT ABOUT TECHNOLOGY,
IT’S WHAT YOU DO WITH IT:
Business Management Tools to Help Franchisees Manage Their Business
• Established 1920
• 4078 Franchisees
• 5000 stores
• 11 Countries
• 20,000+ products
• Mobile Stores
• Visit Customer Every Week
• Sell Product - Collect Money
• Productivity Drives Performance
• Productivity Driven by Technology

STORE GOES TO THE CUSTOMER

VS.

CUSTOMER GOES TO THE STORE
STORE GOES TO THE CUSTOMER

• Mobile Store Visits Repair Shop
  – Customers come into the truck
  – Franchisee goes into the shop
  – Mobile Store may/may not be connected to the internet

Let’s view the world of technology from inside and outside the van.
CUSTOMER COMES TO TRUCK

• POS (Cash Register)
  – Works like a blackberry or phone
  – When connected transactions flow to Snap-on (orders, payments, credit cards, credit applications)
  – When not connected transactions are stored and processed when connection is made.
FRANCHISEE GOES INTO SHOP

- Mobile Devices – Any Pads or Phones
- Mobile Support for
  - Selling (catalogue and video)
  - Ordering (inventory and pricing)
  - Shipping (rush or to store)
  - Paying (cash, credit, debit)
FRANCHISEE AT HOME

• What is the Health of My Business?
  – Business Statements (Web)
  – Performance Dash Board (MyDials)
    • Set Goals – Trend Performance
    • Drill Down By – Time, Product, Accounts
    • Access to Franchisee & Field Management

Sales & Collections  Cash Flow  Receivables  Product Mix  Equity
### Invoice Summary for
**JAMES - D20290 - 100010351**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
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<tbody>
<tr>
<td>Statement Closing Date</td>
<td>01-19-2011</td>
</tr>
<tr>
<td>Last Updated</td>
<td>01-14-2011</td>
</tr>
<tr>
<td>Week Number</td>
<td>3</td>
</tr>
<tr>
<td>On Hold Status</td>
<td>N</td>
</tr>
<tr>
<td>Available Credit</td>
<td>33,199.07</td>
</tr>
<tr>
<td>Credit Limit</td>
<td>49,000.00</td>
</tr>
<tr>
<td><strong>Balance, Payments &amp; Transactions Summary</strong></td>
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</tr>
<tr>
<td>Previous Amount of Unpaid Invoices as of Week 2</td>
<td>17,994.66</td>
</tr>
<tr>
<td>Previous Balance Transfer to Business Reserve</td>
<td>0.00</td>
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<tr>
<td>Previous Amount due from Week 2 Statement Date</td>
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<tr>
<td>Payments</td>
<td></td>
</tr>
<tr>
<td>ACH*132 Received 01-14-2011</td>
<td>(3,700.00)</td>
</tr>
<tr>
<td>ACH*133 Received 01-14-2011</td>
<td>(1,000.00)</td>
</tr>
<tr>
<td><strong>EC Activity</strong></td>
<td></td>
</tr>
</tbody>
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IN THE TRUCK, IN THE SHOP AND AT HOME

• Technology Connects

– The Customer to the Product
– The Sale to Snap-on
– The Franchisee to His Business
ASLAM KHAN, FALCON HOLDINGS

IT’S NOT ABOUT TECHNOLOGY,
IT’S WHAT YOU DO WITH IT:
Business Management Tools to Help Franchisees Manage Their Business
IT’S WHAT YOU DO WITH IT…

– What’s involved… POS Technology, Back Office Systems, Above Store Reporting, Terminal Monitoring

– Technology provides information… Humans put it in action

– What do you do with oceans of information? Break it down to the lowest level to gain the best understanding of the business

– Create meaningful management information

52nd Annual Convention
February 11-14, 2012 | Orlando, FL
Dashboard Reporting for Key Performance Indicators

• Create a dash board that is relevant to your organization:
  – Sales Comp and Customer Traffic Counts
  – Daily, Weekly and Periodical Sales comparison to previous year
    • Daily, Weekly Sales trend comparison to YTD and last period… and to last year’s trend for same time period
  – Cost of Goods monitoring
    • It is not just one percentage, it is about 100s of items whose percentage must be broken down
    • Manage COGS Every Week, Every Day, Every Shift, Every Guest…
  – Labor Matrix comparisons
    • Generate correct hourly matrix for your business
    • Manage exceptions to matrix daily
    • Inventory levels
    • Cash short & over
Dashboard Reporting for Key Performance Indicators (Cont)

• All of the above data should be:
  – Accurate
  – Relevant
  – Current
  – Readily available
  – Ranking

• Absolute Key to All the Above:
  – TAKE ACTION…
  – It’s not about technology… It’s what you do with it!!!