

# A Future in Franchising

This successful business model is rewarding spirited entrepreneurship with all the benefits of a robust and growing industry.

**O**wning a restaurant is a dream for many entrepreneurs, and for many, franchising can provide the best road to success. Because franchises provide owner-operators with the support and backing of a larger corporation, as well as increased name-recognition and marketing tools from the start, partnering with a brand to open a new restaurant within a particular market can be a boon for restaurateurs, who would otherwise have to create a new, competitive concept from scratch.

“Franchising gives driven individuals the opportunity to be in business for themselves but never by themselves,” says Cheryl Fletcher, senior vice president for development at **Tropical Smoothie Cafe**. “Franchising provides owners with the infrastructure, support, proven systems, and business model to chase their dreams. The key is working with franchisees who are aligned with your mission and willing to work the system to make it work for them.”

Over the years, franchising has proven to be a resilient and lucrative model of business ownership. Because owner-operators are backed by the strength of an established brand, they are better equipped to weather market fluctuations and can pivot more easily when consumer trends shift.

According to the Bureau of Labor Statistics, about 20 percent of all new restaurant businesses fail within the first two years. In a recent study conducted by FranNet, however, 92 percent of all franchises were shown to still be in business after that period. And that momentum is building—due to the market success of franchised restaurants, owner-operators of those establishments are more likely to



TROPICAL SMOOTHIE CAFE (2)



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NAF NAF GRILL

grow their portfolio and open additional locations.

“There’s a very strong future in franchising,” Fletcher says. “For Tropical Smoothie Cafe, in 2018, 70 percent of new openings and 60 percent of franchise agreements came from existing franchisees.”

The brand, which is predominantly franchisee-owned, according to Fletcher, sees an average unit volume of more than \$730,000 annually.

“Because franchisees have invested in the business and are owner-operators, they have an added commitment to ensuring their own success,” she says.

In addition, opening a franchised restaurant requires less trial and error than an original concept, because the menus are already well-tested and established. Franchisees can therefore spend less time discovering what they’re customers actu-

ally want, and more time simply giving it to them.

“The real benefit in franchising is that the franchisee can focus on running the daily operations of the store while the franchisor handles sourcing products, testing equipment, developing limited-time offers, and creating operational procedures,” says Ray Wiley, CEO of **Rapid Fired Pizza** and **Hot Head Burritos**. “The systems and buying power of a franchise equate to a far higher chance of success.”

According to Wiley, franchises perform much better than independent operations, due to more effective advertising, consistent operations, and greater brand awareness.

“There is a lower risk of failure when you franchise because the concept has already been proven in the marketplace,” says Paul Damico, CEO of **Naf Naf Grill**. Because of that, it’s the perfect busi-

ness for anyone who has an entrepreneurial spirit and wants to be in business for themselves with the right amount of support to make them successful.”

Likely because of the motivating factors which come from the personal investment that operators make into their business, franchised restaurants can often show even higher sales volume than their corporate-owned counterparts, on average.

“Franchise stores typically outperform company-owned operations,” Damico says. “The comparative success of franchised restaurants as opposed to independent operations is well documented.”

According to data from the International Franchise Association, franchise businesses employ nearly 8 million Americans, and in 2018 franchises contributed more than \$800 billion into the economy. The robust nature of franchised chains can be more attrac-



tive to quick-service employees, and providing them with a sense of job security can help reduce labor costs associated with high turnover.

“Your success rate can be much higher in franchising than with trying to start a business from scratch,” says Brent Greenwood, director of franchise development for **Firehouse Subs**. “Franchise ownership and the jobs they create offer career progression and economic stability. Through franchising, it has been much easier for Firehouse Subs, for example, to achieve scale and build the brand at a much higher level.”

Franchise brands provide entrepreneurs with an opportunity to buy into a proven model, according to Laura Tanaka, director of franchise development at **Del Taco**.

“If franchisees partner with the right brand,” she says, “they typically have access to comprehensive training manuals and field staff that cover everything from marketing and technology to hiring resources and more.”

At Del Taco, for example, the operations support team meets with management for extensive hands-on training six weeks before an opening, helps to train crew three weeks before opening, and provides ongoing training and support. That level of training is important because it ensures that managers and staff alike are invested in their work and feel adequately prepared to do their work at and through a store’s opening phase.

“Franchisees who succeed are engaged in their business,” says Doug Bostick, senior vice president of operations and development for **Fazoli’s**. “They are not passive owners, but active participants in daily wins.”

Finding a good fit with brand partners is obviously a critical element for franchisees looking to start or grow their business. And because there is so much opportunity in the franchise business, there can be a lot of options to choose from.

“Because the restaurant industry is innovating so fast, so is franchising,” Bostick says. “Potential franchisees are looking for best-in-class partners who can help them ramp up very quickly and efficiently.”

One of the biggest factors that franchisees look for in deciding whom to partner with is the accessibility of the corporate brand, as well as the amount of support, and the quality of the relationship they offer.

“One of the most important aspects of franchising is the relationship between the franchise owner and the franchisor,” says Don Fertman, chief development offi-

cer at **Subway**.

According to the Bureau of Labor Statistics, small businesses like franchises generate more than 60 percent of all jobs added annually in the U.S.—the impact is huge.

“Franchising is a great opportunity in general because there is a system in place based on experience,” Fertman says. “There is inherent knowledge of the busi-



Fazoli's



Firehouse Subs

FAZOLI'S, FIREHOUSE SUBS



Freddy's Frozen Custard and Steakburgers



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ness, so the franchise owner does not need to find his or her own way through the underbrush of the quick-service jungle.”

At **Zaxby's**, for example, director of franchise sales Tray Doster reports the company has had people from all walks of

life join the brand—from UPS drivers and teachers to bankers, doctors, and salespeople. The common thread among that diverse group of people is the desire they have to serve and lead. A new franchisee should be able to depend on the franchisor

for support and services, while the franchisee brings the excitement of creating great experiences for guests.

“There is nothing more important than for a corporate brand to have a great relationship with its franchise community,” Bostick says. “Trust and transparency are key components of a healthy franchisee and franchisor relationship.”

“Once people feel they are truly part of something, they’ll always stay with you, which is why we’re so committed at **Jersey Mike's** to honoring the family culture and maintaining good relationships with every single person involved with the company,” says Hoyt Jones, the company’s president.

According to Jones, 70 percent of Jersey Mike’s franchise development in 2018 came from within the existing franchise network.

“Franchising is a great opportunity because it creates a path to business ownership while mitigating much of the risk associated with branching out on your own,” Jones says. “For entrepreneurs, the opportunity to partner with a brand that has a proven business model and name recognition with consumers is invaluable, and it offers unlimited potential for success.”

According to the International Franchise Association, franchises are the country’s largest job training program, fostering highly-skilled careers in a variety of industries, and are responsible for more than \$400 billion of the gross domestic product.

“Franchising lends credibility to a product or service,” Greenwood says. “It helps customers know what they can expect.”

According to Randy Simon, co-founder and CEO of **Freddy's Frozen Custard and Steakburgers**, franchisees have always outperformed operators in the broader restaurant industry. They have more at stake to motivate them to succeed, and can additionally use a brand’s name recognition to drive results.

“Franchising is a strong business model that provides entrepreneurs with a proven path to fulfill their dreams of business ownership,” says Ursula Lane, director of franchise recruitment for **Checkers & Rally's Restaurants**. SC