PRESENTATION

Brief Judicial Update – 2013

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Arbitration Clauses and Class Action Waivers

- American Express Co. v. Italian Colors Restaurant, 133 S.Ct. 2304 (2013).

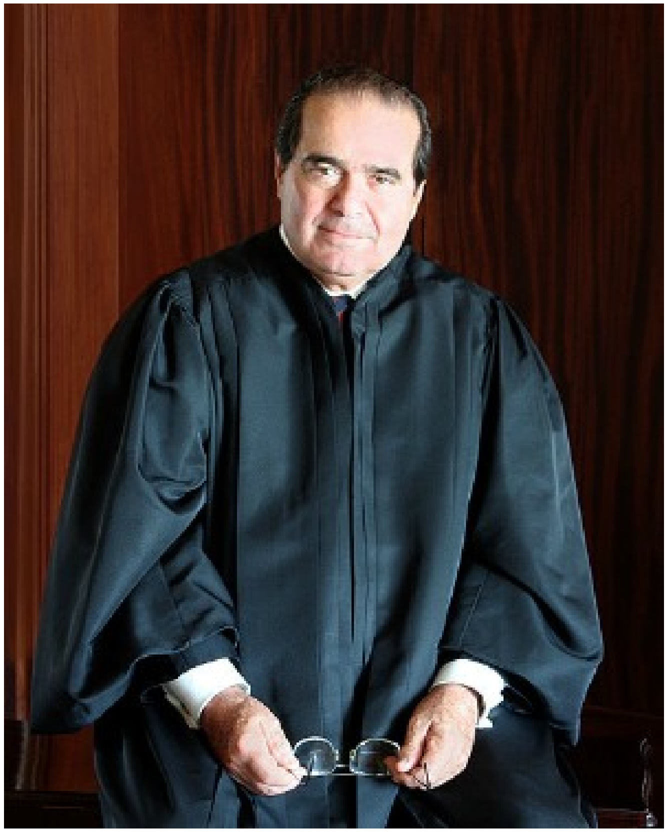
- *Good news for franchisors who favor arbitration clauses in their franchise agreements.*

Amex v. Italian Colors Restaurant

- HOLDING – The U. S. Supreme Court held that the Federal Arbitration Act does not permit a court to invalidate a contractual waiver of class arbitration on the ground that the plaintiff's cost of individually arbitrating a federal statutory claim exceeds the potential recovery.

Amex v Italian Colors Restaurant

Amex v Italian Colors Restaurant



- Supreme Court reinforced the notion that under the FAA courts must “vigorously enforce” arbitration agreements according to their terms.
- Antitrust laws “do not guarantee an affordable procedural path” to the vindication of every claim.

Amex v. Italian Colors Restaurant

- Commentators view this opinion as the death knell for challenges to class action waivers in arbitration clauses.

Arbitration Clauses and Class Action Waivers

- Oxford Health Plans, LLC v. Sutter, 133 S. Ct. 2064, (2013).
- *Be careful what you ask for.*

Oxford Health Plans, LLC v Sutter

- HOLDING – In a case where the parties consented to allow the arbitrator to decide the arbitrability of class claims, the arbitrator's decision to allow class arbitration survives the limited judicial review allowed by Section 10(a)(4) of the FAA.

Oxford Health Plans, LLC v Sutter

<u>Oxford Health Plans, LLC v Sutter</u>

- Decisive that the parties agreed that the arbitrator could determine the arbitrability of class claims.
- FAA section 10(a)(4) provides an arbitration decision can be vacated by a district court only “where the arbitrators exceeded their powers, or so imperfectly executed them that a mutual, final, and definite award upon the subject matter submitted was not made.”
- Party seeking relief from arbitral award on the ground that the arbitrator exceeded his powers bears a heavy burden; it is not enough to show that the arbitrator committed error, or even serious error.
- Absent express agreement of the parties, the court would have reviewed the decision under the more relaxed *de novo* standard.

Oxford Health Plans, LLC v Sutter

- In his concurring opinion, Justice Alito makes it clear that if the Court were reviewing this under the *de novo* standard, the arbitrator would have been reversed.

Non-compete clauses in franchise agreements

- In 2013, cases decided were 13-4 in favor of the franchisor – enforcing the non-compete.
- Econo-Lube v. Orange Racing, LLC: federal court in Western North Carolina enforced a one year 20-mile non- compete.
- Tutor Time Learning v. Kog Industries: Federal court in New York refused to enforce non-compete holding (a) irreparable harm would not be presumed despite contractual language; (b) loss of business to franchisor could not be established since franchisor was not licensed to sell new franchises in the state; and (c) harm to other franchisees is not irreparable harm to the franchisor.

Forum selection clauses in franchise agreements

- TGA Premier Junior Golf v. B.P. Bevins Golf, LLC
- Franchise Agreement contained California choice of forum clause.
- Franchisor chose to sue in NJ federal court to enforce non-compete because defendant/franchisee was in NJ.
- *Pro se* defendant moved to dismiss due to improper venue and court granted the motion.
- Court noted that the NJ defendant, having elected to enforce rather than waive the forum selection clause, should not be heard to complain when the franchisor re-files in California.

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Preparing Leaders for the Future

Today's Objectives:

- Setting the table:

  "The industry today"
- The key ingredient:

  "It's all about the people"
- Selecting and developing Talent :

  "The Leader's role and tools"
- Leadership:

  "How & why to develop leaders for the future"

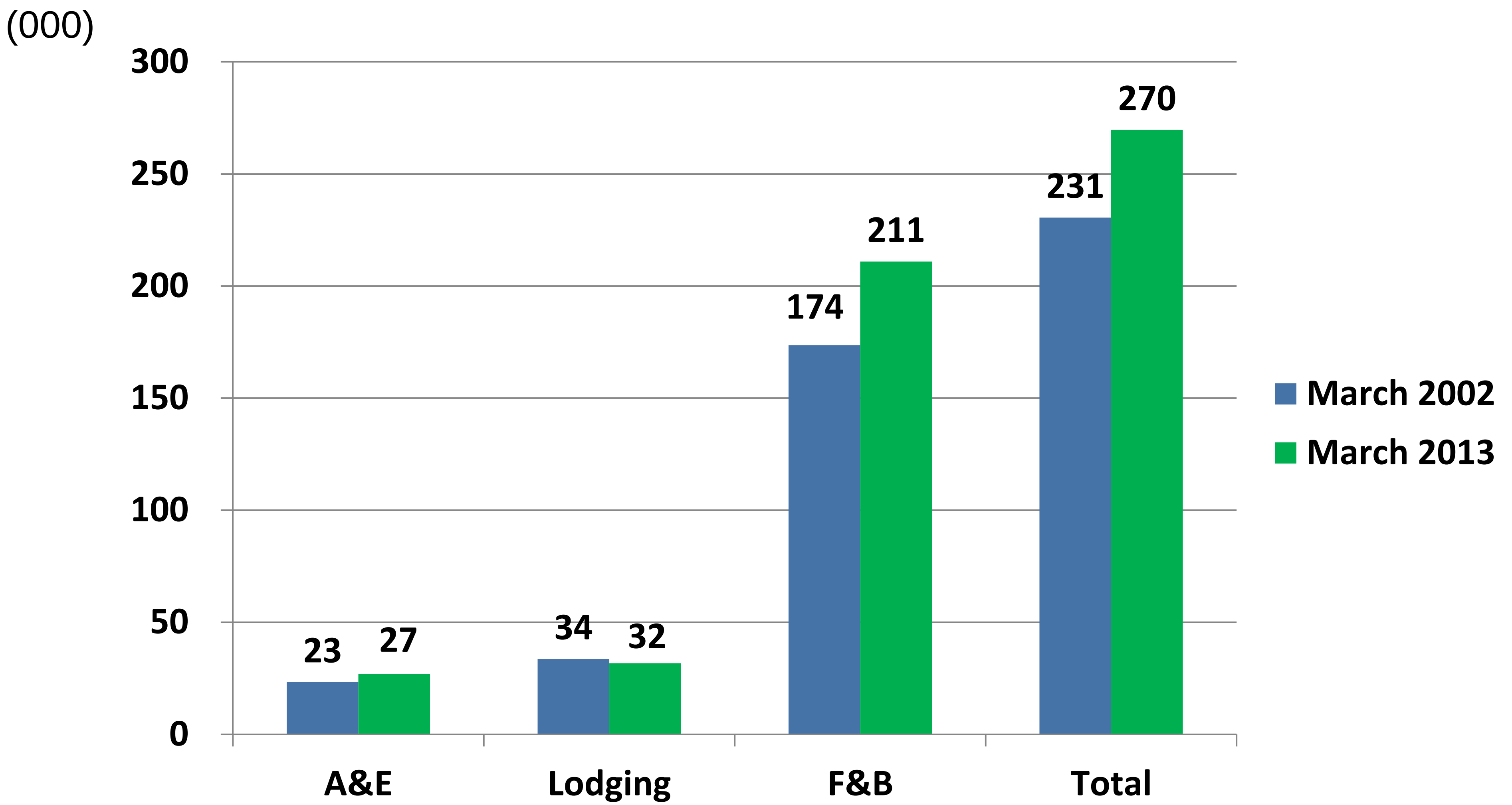
Setting the Table

"The industry today"

The Industry Today

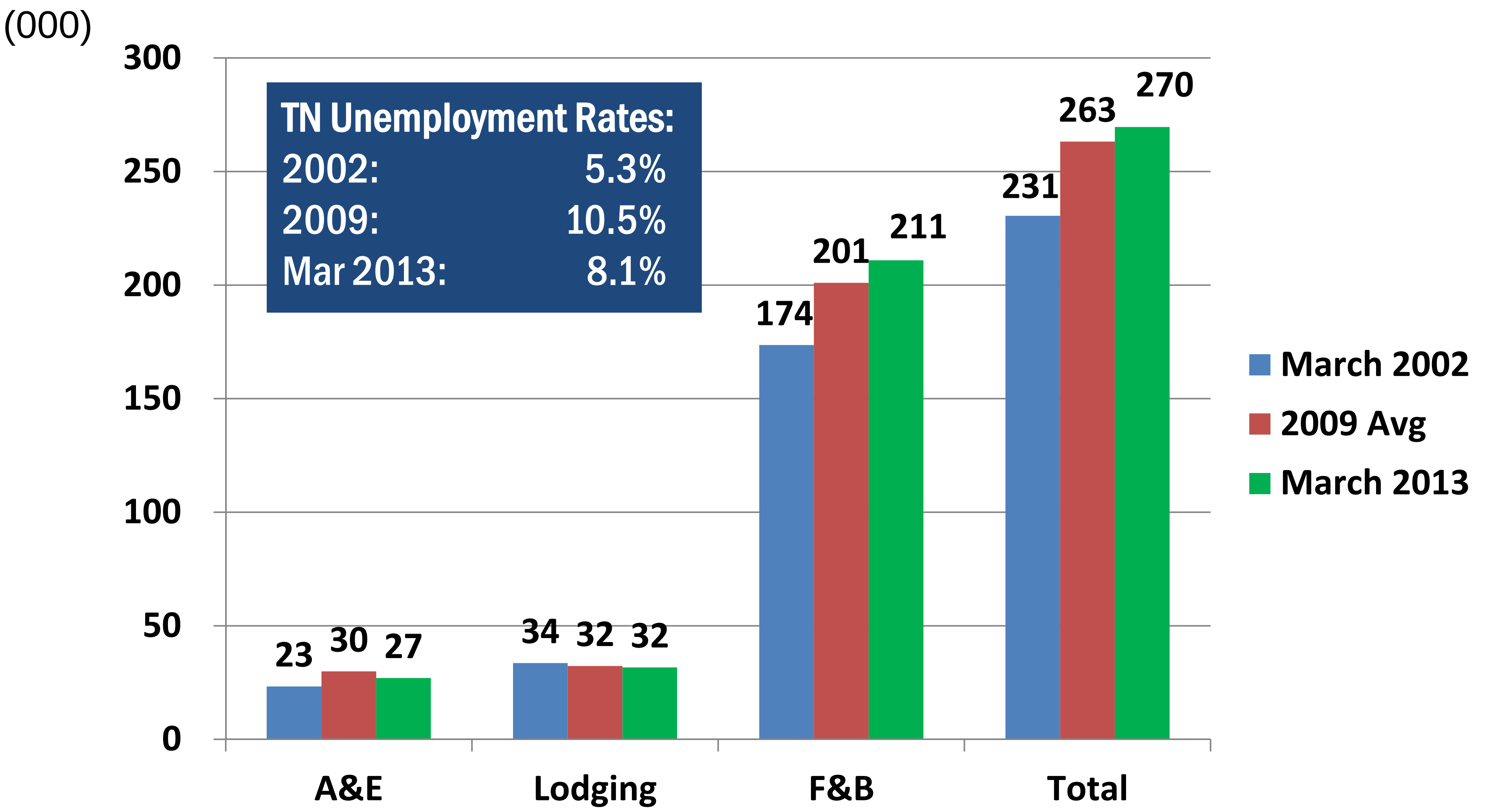
- Global Talent Shortage (McKinsey Global)
  - ❑ Baby Boomers are retiring; 35M over the next 5-10 years
  - ❑ In the US there are 76M Baby Boomers and only 55M Gen-Xer's
  - ❑ Current gaps in college educated and secondary educated workers (28%)
- 49% of US employers are experiencing issues filling mission critical positions (Manpower 2012)
- College graduates entering the hospitality field are having a difficult time finding salaried leadership positions (Hotel News Now)
- *Millennials are 5 times as likely to quit due to a poor relationship with their boss (McKinsey Global)*

Tennessee Leisure & Hospitality



* Source: Tennessee Department of Labor

Tennessee Leisure & Hospitality

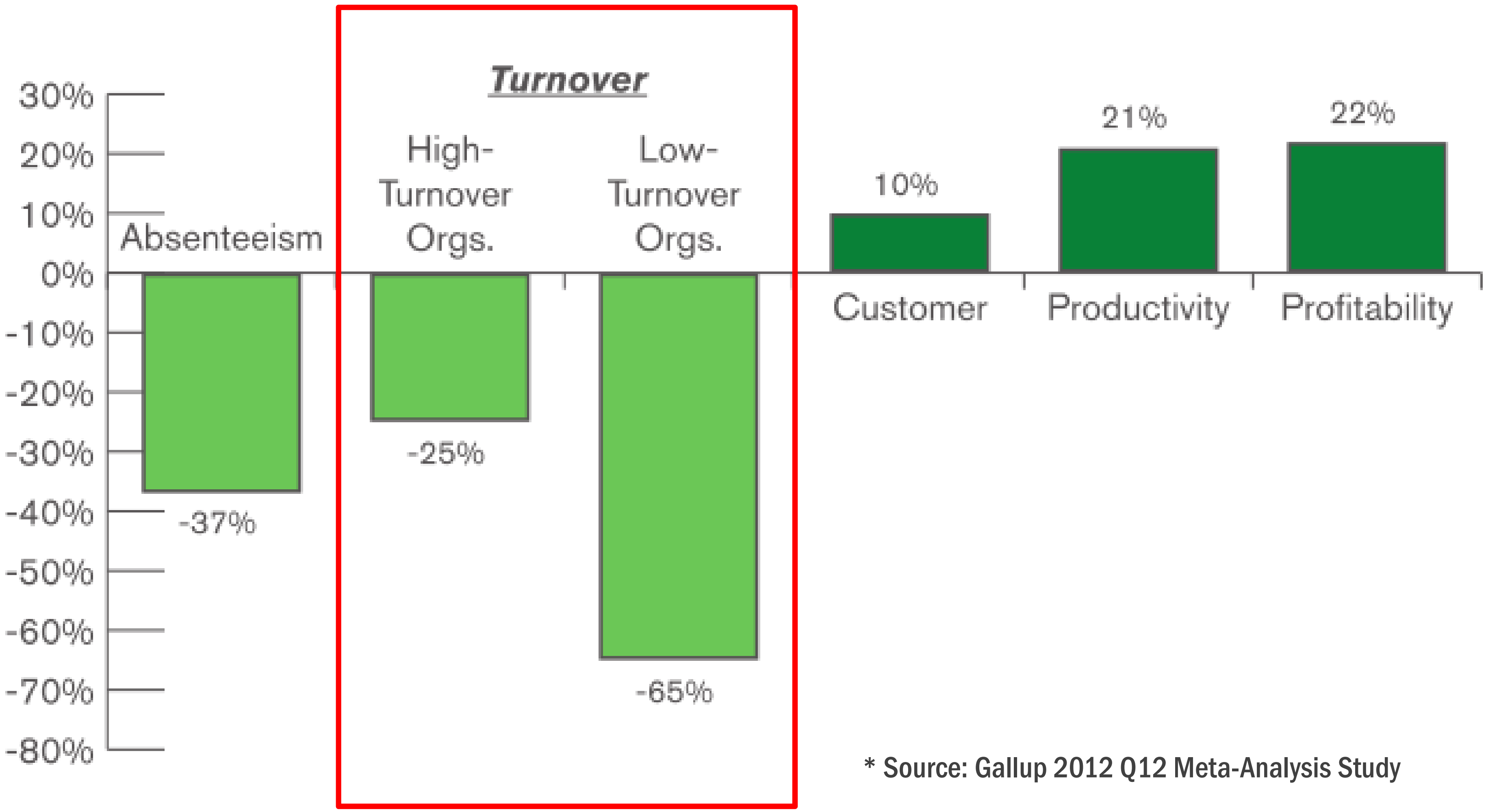


* Source: Tennessee Department of Labor

The Key Ingredient

"It's all about the people"

Engagement & Performance



* Source: Gallup 2012 Q12 Meta-Analysis Study

The Cost of Turnover

Replacement cost of workers is 50% to 400% of salary (SHRM)

Key Assumptions*:

Worker's Salary:	$15,000
Manager's Salary:	$45,000
Qualified Applicants:	5
Days to Hire:	10
Advertising Cost:	$500
Background Checks:	$150
Training Days:	5

$4,635*

* Source: Drake International

The Cost of Turnover

$4,635*

Breakdown*:

Cover Vacancy:	$260
Manager's Time:	$940
Training Cost:	$1,175
Ramp Up:	$2,260

* Source: Drake International

Performance vs. Turnover

Fit for Role

- ✓ Am I motivated to do the work?
- ✓ Does the environment stimulate me?
- ✓ Does the work meet my needs?
- ✓ Do I have the competencies and skills to do the work?
- ✓ Is my work really adding value / am I connected to it?

Leadership

- ✓ Does my manager set appropriate expectations?
- ✓ Does she give me appropriate feedback for growth?
- ✓ Does he provide opportunities to grow and learn?
- ✓ Does she micro-manage me or do I have some responsibility?
- ✓ Does he coach and teach me?
- ✓ Is she a leader or a manager?

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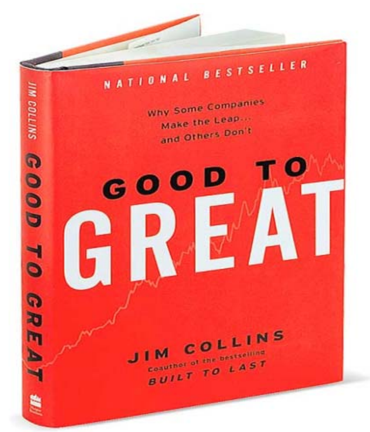
Selecting & Developing Talent

"The Leader's Role"

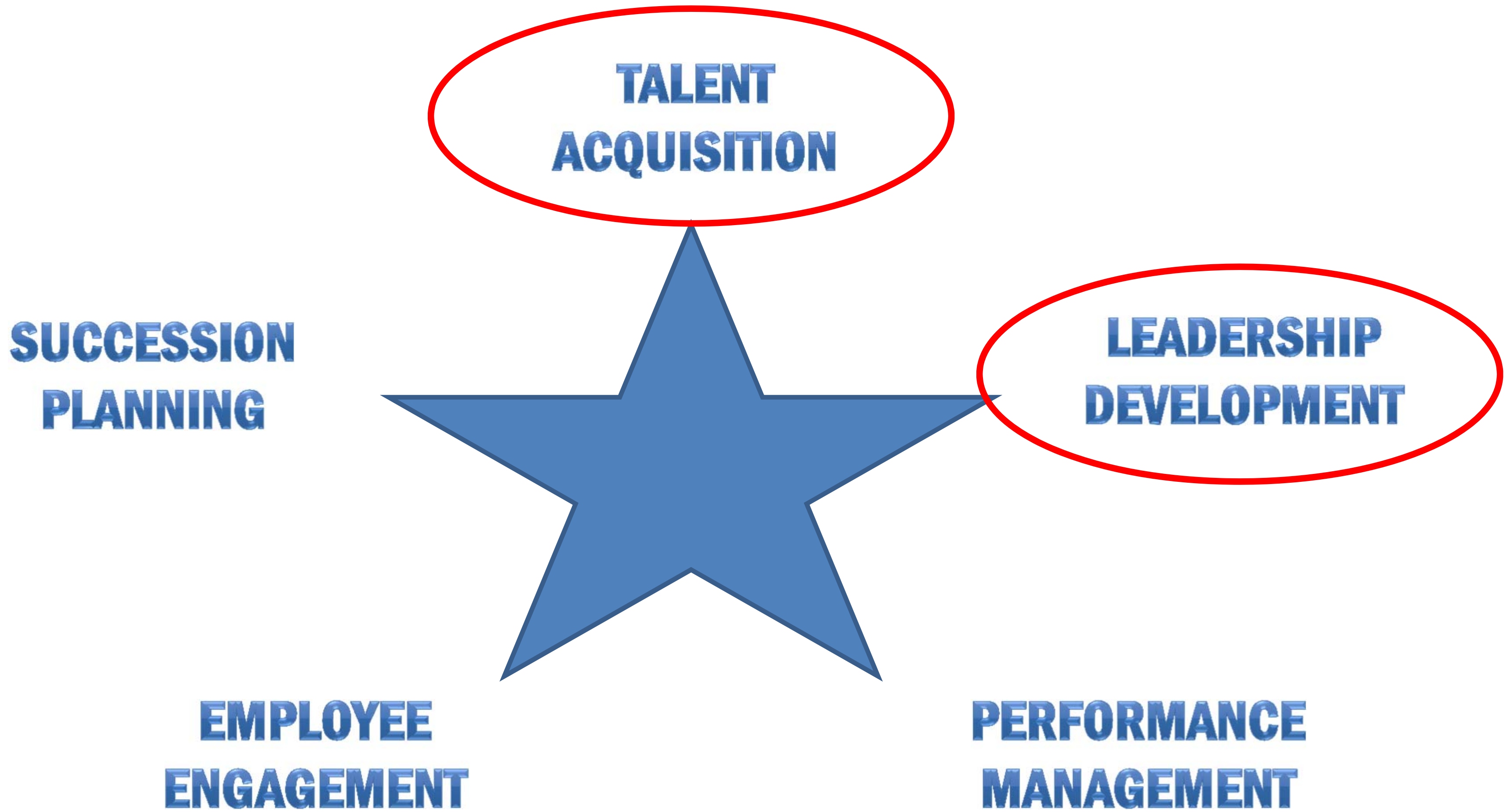
Good to Great

Jim Collins:

"Those who build great companies understand that the ultimate throttle on growth for any great company is not markets, or technology, or competition, or products. It is one thing above all others: the ability to get and keep enough of the right people."



Talent Management



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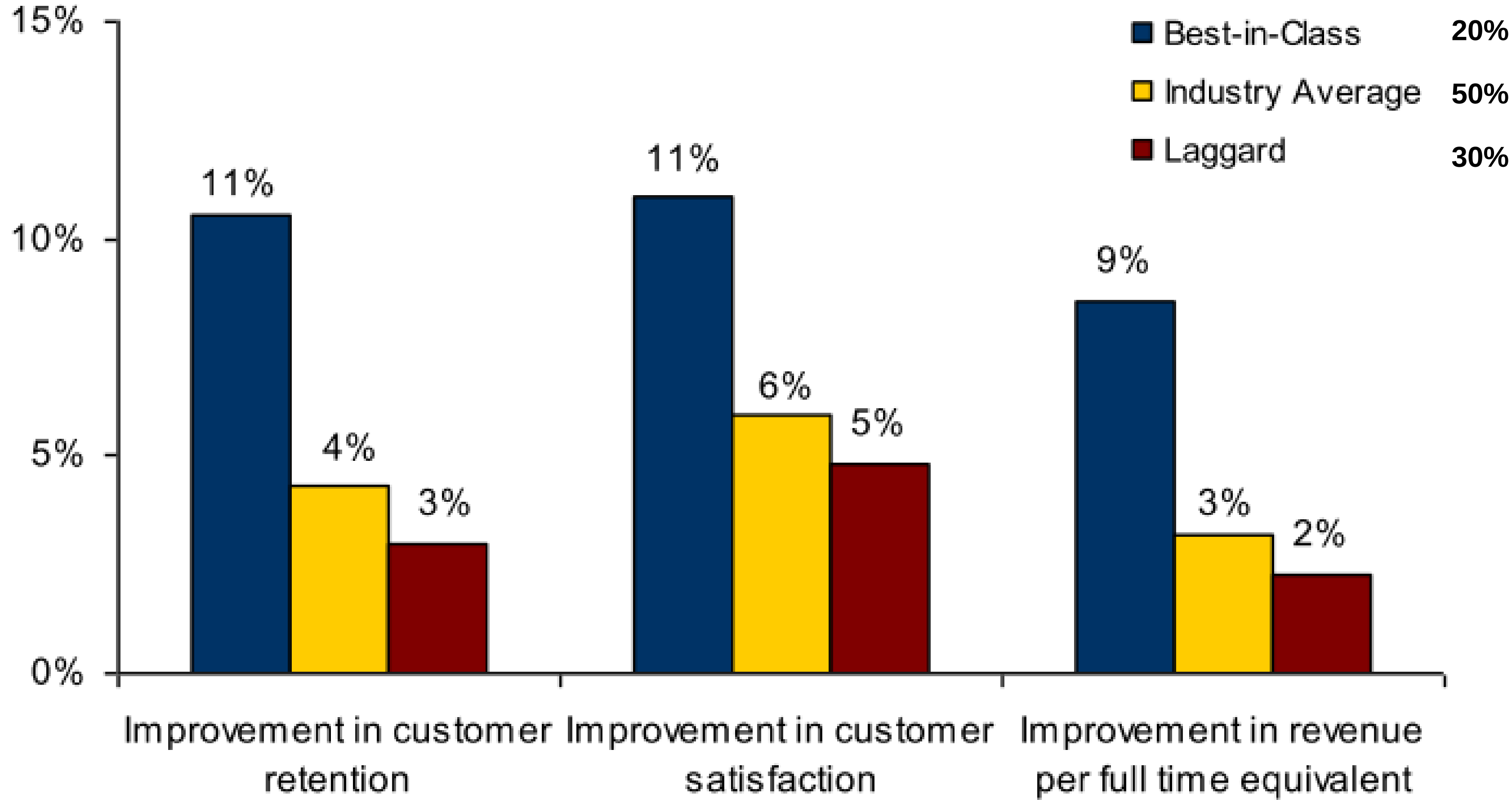
Talent Acquisition

Best-in-class companies use assessments



* Source: Aberdeen Group Study 2011

Familiar Brands Who Use Assessments

Leadership

How well does your organization do in developing leaders?

- Managing vs. Leading
- Phases of leadership
- What does a leader do?
- Why invest in leader development?

Leadership Style Survey

- Fill out the self-evaluation form provided
- Tabulation of results
  - ✓ Count the number of check marks in each column and enter in the appropriate box at the bottom
  - ✓ Multiple each number times the number directly below each box
  - ✓ Add the total and input to the right
  - ✓ Divide by the number of questions answered

Leadership Style Score

	Never		Rarely		Sometimes		Frequently		Always		
Number of Each			2		2		5				
Multiply by	1		2		3		4		5		Total of All
Total of Each	0	+	4	+	6	+	20	+	0	=	30
Input and divide total of all by Number of questions answered											9
										Leadership Style Score:	3.3

	Never		Rarely		Sometimes		Frequently		Always		
Number of Each					2		6		2		
Multiply by	1		2		3		4		5		Total of All
Total of Each	0	+	0	+	6	+	24	+	10	=	40
Input and divide total of all by Number of questions answered											10
										Leadership Style Score:	4.0

Leadership Style Score

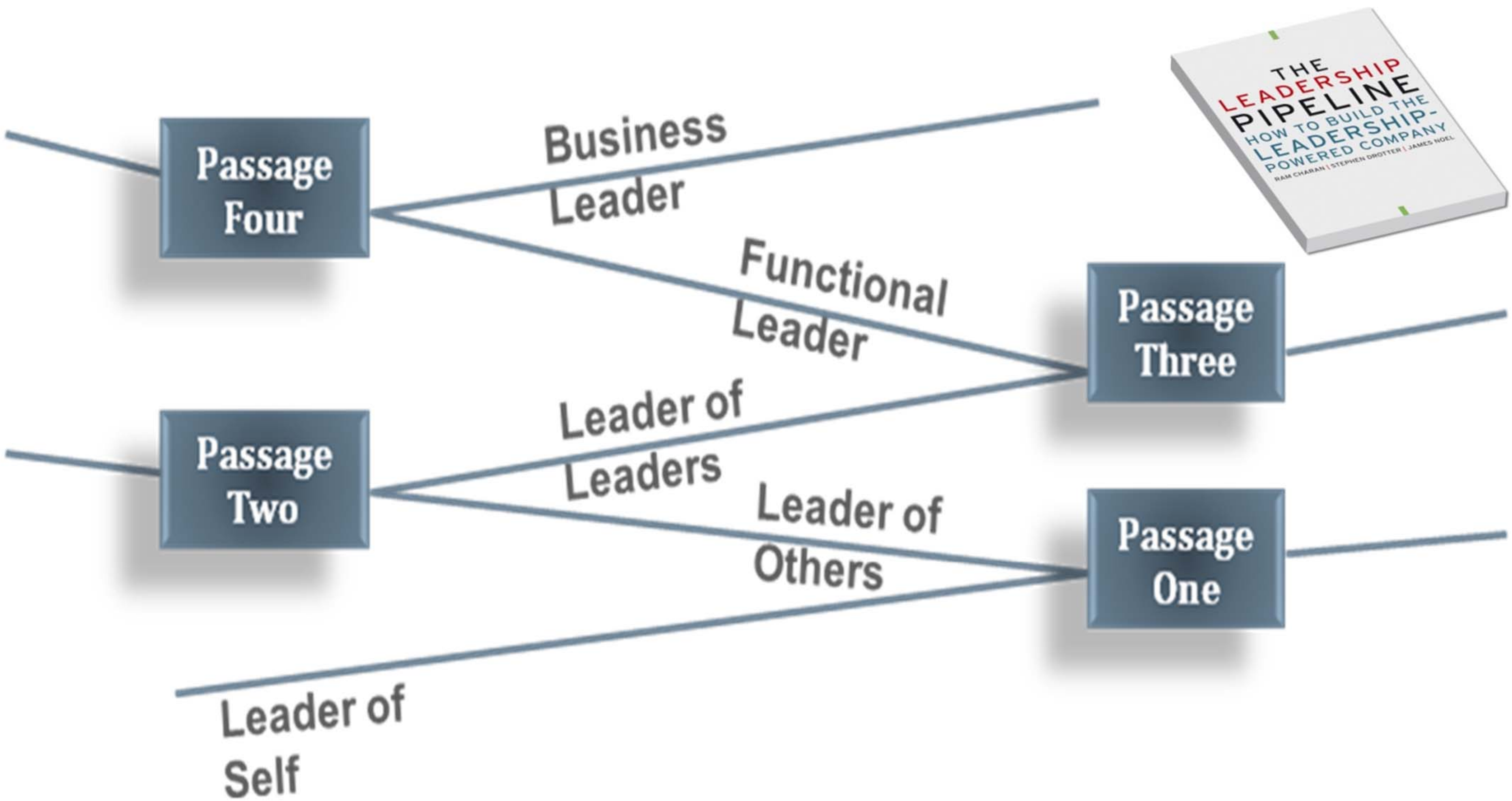
- 4.5 = 90th percentile
- 4.0 = 80th percentile
- 3.5 = 70th percentile
- 3.0 = 60th percentile
- 2.5 = 50th percentile

Are you managing or leading?
What's the difference?


MANAGEMENT
You'll never soar, until they get out of the way.

Leadership

Phases of Leadership

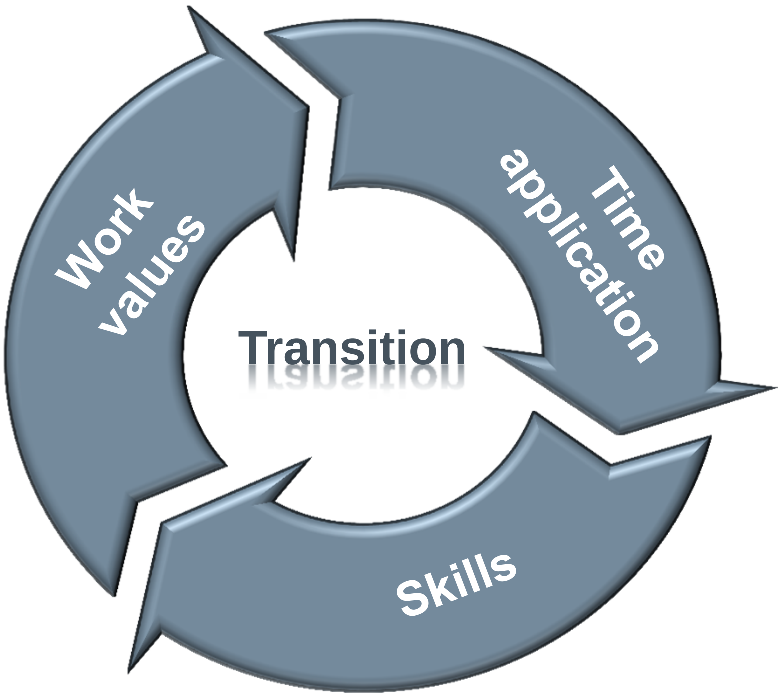


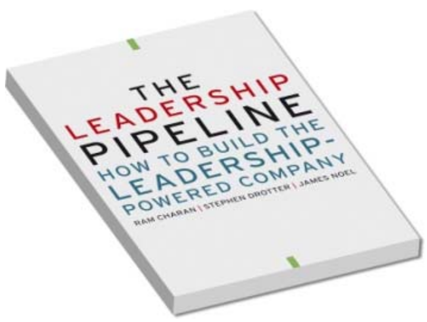
What Drives Outcomes?

Work Values
What people believe is most important becomes the focus of their work efforts

Time Application
New time frames govern how the individual works; the work values drive where time is spent

Skills
New capabilities and competencies are required to execute new approaches dictated by work values and time application





Leading Others

Work values

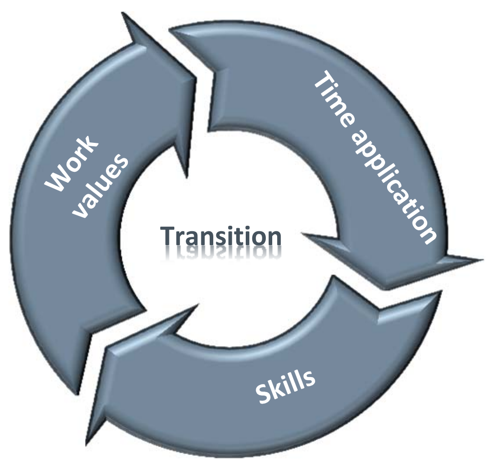
- Getting results through others
- Success of direct reports
- Success of unit
- Self as leading others
- Visible integrity

Time application

- Annual planning (budgets, projects)
- Making time available for direct reports
- Performance management
- Developing direct reports
- Recruitment

Skills

- Select team members and build the team
- Set objectives and prioritize tasks
- Delegate and follow up
- Coach and develop direct reports
- Assess and improve performance



Leading Leaders

Work values

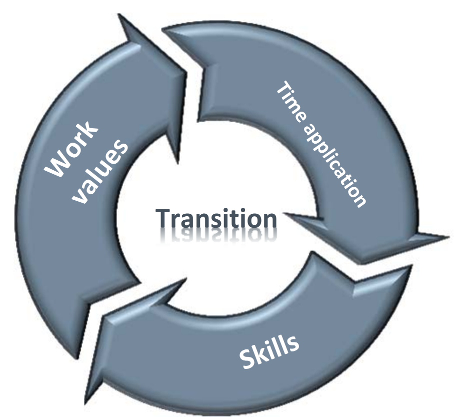
- Getting things done that have to get done
- Values based leadership
- Differentiation
- Ambiguity

Time application

- Long-term (2-3 years) organizational planning
- Communicate upwards, sideward, and downwards
- Resource allocation
- Provide input upwards in the organization for strategic target setting

Skills

- Select leaders and build the organization
- Develop and execute operational plans
- Coach and develop leaders
- Assess and improve the performance of leaders
- Manage boundaries and allocate resources



Impact on the Leader

- Identifies, sets and manages appropriate priorities for self and team
- Leads through questions rather than just providing answers
- Empowers others to take action and let's go
- Sets expectations and holds team members accountable
- Goals are SMART (Specific, Measurable, Achievable, Realistic & Timely)
- Upward communication of priorities, progress and accountability
- Describes team in terms of development & performance rather than just functional capabilities

Impact on the Business

Tangible Outcomes:

- Lower turnover
- Increased individual engagement & team morale
- Increased productivity
- Improved guest/customer satisfaction
- Greater guest/customer loyalty
- Higher sales
- Greater profitability

Leadership is a choice

Self-awareness

Self-confidence

Aspiration

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Leadership Style Analysis

When a direct report asks me a question my response is to ask them what they think versus providing them an answer

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

I allow my direct reports to take risks and learn by doing and allow for mistakes to happen as a means of learning and development

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

I delegate comfortably to my direct reports and do not micromanage their progress or approach to their work

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

When I delegate to my direct reports, I will share my vision for "what" needs to happen, but allow them to define "how" they will do it

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

I collaborate with my direct reports in the setting of goals and priorities for their work

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

The priorities and objectives of my direct reports tie directly to mine and those of the organization

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

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Leadership Style Analysis

I allocate time regularly to connect with direct reports to check on progress against their priorities and objectives

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

I provide regular peformance feedback and coaching to my direct reports

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

I invite and accept differing points of views and ideas from my direct reports

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

I use active listening techniques and draw out solutions and ideas from my direct reports

Never	Rarely	Sometimes	Frequently	Always
☐	☐	☐	☐	☐

	Never		Rarely		Sometimes		Frequently		Always		Total of All
Number of Each	☐		☐		☐		☐		☐		
Multiply by Total of Each	1 ☐	+	2 ☐	+	3 ☐	+	4 ☐	+	5 ☐	=	☐

Input total number of questions answered ☐

Divide Total of All by Number of questions to arrive at Leadership Style Score: ☐

IFA GOVERNMENT RELATIONS & PUBLIC POLICY
QUARTERLY REPORT
TO THE IFA BOARD OF DIRECTORS
SEPTEMBER 2013

No Board Action Required

FEDERAL ACTIVITY

COMPREHENSIVE TAX REFORM

The leadership of both parties in Congress is committed to achieving comprehensive tax reform during the next two years. IFA supports efforts to pass comprehensive tax reform that does not put America's franchise small businesses at a disadvantage, many of whom file their business taxes through their individual tax returns.

Chairman Dave Camp (R-MI) of the House Ways and Means Committee and Chairman Max Baucus (D-MT) of the Senate Finance Committee have released discussion drafts, including one specific to Small Business and Pass Through entities. They have both promoted tax reform proposals in Washington and around the country. Sen. Baucus announced earlier this year that he will retire, and Rep. Camp is term-limited as chairman of the Ways & Means Committee, and both leaders have made a strong push towards comprehensive tax reform as part of their respective legacies.

The President's 2013 budget also included tax reform, and while not comprehensive, it was a signal that the Administration was ready to engage on corporate tax reform.

The most likely scenario for comprehensive tax reform is as a key component of an overall deficit reduction package as part of raising the federal debt limit this fall. We anticipate that a package will take shape soon, and we expect that comprehensive bills will be marked up in both chambers in September or October of this year. Clearly, several tax and budget legislative opportunities exist in this Congress and IFA will continue to press for fair and favorable tax treatment for the franchise industry.

HEALTH CARE REFORM

Following the 2012 elections, IFA's Government Relations & Public Policy team began new outreach and education efforts to assist franchisees and franchisors in understanding ACA implementation issues, in addition to developing a strategy for legislative fixes to the law.

To educate IFA members on compliance with the complicated health care law, we have offered members the opportunity to hold company-specific webinars with policy experts from Washington Council Ernst & Young, who have presented at several IFA events in the past two years on employer requirements under the ACA. Response to this initiative has been overwhelmingly positive, with about a dozen webinars conducted for IFA members to date.

To further ACA education efforts, IFA has also launched a new website, www.MakingSenseofHealthCare.org. The site provides information on employer responsibilities, stories from members about best practices, and a live chat function which allows members to contact Government Relations & Public Policy staff to ask questions about the employer mandate. The Administration has slowly issued ACA regulations, and IFA has sought regulatory relief from the burden the employer mandate places on the industry. IFA will continue its education efforts as more regulations are issued.

To complement our education efforts, we have advocated for legislative fixes to ease the burden on franchise businesses. To date, bills have been introduced in the House and Senate to change the definition of full-time employee in the law to be someone working at least 40 hours per week, up from the current 30-hour definition. H.R. 2889 / S. 1188, the *Forty Hours Is Full Time Act* is sponsored by Rep. Dan Lipinski (D-IL) in the House and Sens. Susan Collins (R-ME) and Joe Donnelly (D-IN) in the Senate, and H.R. 2575, the *Save American Workers Act*, is sponsored by Rep. Todd Young (R-IN). IFA also supports H.R. 1254, the *Auto Enroll Repeal Act*, sponsored by Reps. Richard Hudson (R-NC) and Robert Pittenger (R-NC).

Along with its coalition partners, IFA continues to advocate for fixes and transition relief to help alleviate the employer mandate's burden on franchise small business owners. Recently, IFA met with high-ranking Treasury officials regarding the employer mandate implementation, which follow meetings with Health and Human Services and Small Business Administration meetings earlier this year. As a result of these and other efforts, the Administration announced in July that it would delay enforcement of the employer mandate for one year so as to further study upcoming regulations and allow business owners time to adjust to new requirements.

IMMIGRATION REFORM

A comprehensive immigration reform package, S. 744, the *Border Security, Economic opportunity and Immigration Modernization Act* in July by a vote of 68-32. However, House leadership has indicated its desire to pursue immigration reform in several separate pieces, setting the stage for a series of legislative debates this fall.

The Senate package includes the following provisions:

- A path to citizenship for unauthorized immigrants already in the country, contingent upon securing the border and combating visa overstays;
- Employment verification (E-Verify); and
- A new "W" visa program that will allow low skilled essential workers into the country

H.R. 1772, the *Legal Workforce Act*, sponsored by Rep. Lamar Smith (R-TX), will create a national e-verify system. We expect to see a bill with an equivalent of the Senate's W-visa program introduced this fall by Reps. Raul Labrador (R-ID) and Ted Poe (R-TX). Whether the Senate and the House will be able to agree on a bill to be presented to the President remains to be seen; the effort to reach such an agreement will play out at least through the fall and possibly into next year.

IFA supports the framework of the Senate legislation, but has clear concerns with the shape of the E-Verify legislation and the size, scope and workability of the "W" visa program. It is imperative that the franchise industry be able to fill the need for low-skilled workers in the many business sectors where franchises are concentrated, such as restaurants, hotels, and service businesses. It is also important that a pre-emptive employment verification system be included in the final package to provide a significant safe harbor to employers while also being manageable for small franchisees to use.

LABOR ISSUES

IFA continues to push back on the U.S. Department of Labor (DOL) and the National Labor Relations Board (NLRB) as both organizations promote aggressive anti-employer programs. IFA is a leader in a number of employer rights organizations, including the Coalition for a Democratic Workplace (CDW), whose goal is to stop legislation and regulations that negatively affect employers and their employees. Below is an update on the issues most relevant to IFA and its members.

NLRB Appointments

The National Labor Relations Board (NLRB or Board) is comprised of five presidentially-appointed members, who interpret the National Labor Relations Act (NLRA) by reviewing decisions of administrative law judges (ALJs) and by issuing regulations. The Board also has a presidentially-appointed General Counsel, who investigates and prosecutes possible violations of the NLRA by bringing cases before ALJs and, if appealed, before the Board itself.

According to U.S. Supreme Court precedent, the Board must have a quorum of three members in order to issue decisions and promulgate rules (essentially, its policymaking functions). The NLRB, however, may continue with most of its day-to-day operations without a quorum. For example, the Board does not need a quorum for the General Counsel to prosecute cases, for ALJs to adjudicate those prosecutions or for the agency to conduct representation elections. In January 2012, the term of recess appointee Board Member Craig Becker (D) expired, leaving the NLRB with only two members, Chairman Mark Pearce (D) and Member Brian Hayes (R). Thus, the Board was without a quorum.

Rather than working with Congress to find nominees that the U.S. Senate could confirm, on January 4, 2012, President Obama ignored constitutionally-established separation of powers and the rules of the Senate by recess-appointing three individuals, Sharon Block (D), Richard Griffin (D) and Terence Flynn (R), to the NLRB—even though the Senate was not in recess, but rather in a *pro forma* session. Flynn has since resigned from the Board, and on Dec. 16, 2012, Member Hayes' term expired, leaving Chairman Pearce as the only confirmed Member of the Board. Block and Griffin continue to serve in this unlawful recess appointment. Thus, the Board currently has three members: Pearce (who was confirmed by the Senate), Block and Griffin. The administration claims the recess appointments last through the end of the next session of Congress.

Earlier this year, CDW, with significant help from IFA, intervened in *Noel Canning v. NLRB,* a lawsuit challenging these unlawful recess appointments. The D.C. Circuit ruled in favor of CDW on January 25th stating:

1. The President did not appoint Block and Griffin during an <u>intersession</u> recess (intersession recesses are those that occur between sessions of Congress) and the court found the recess appointment clause <u>only</u> allows intersession recess appointments

2. The vacancies Block and Griffin were appointed to fill did not arise during an intersession recess and the court found the recess appointment clause only permits recess appointments for vacancies that arise during an intersession recess and the recess appointment must be done in the same intersession recess in which the vacancy arose.

This means that, according to the DC Circuit, the Board lost its quorum when former Member Becker's term expired on Jan 3, 2012. Anyone facing an adverse decision issued by the Board since that time may appeal the ruling to the DC Circuit.

The government petitioned the U.S. Supreme Court for review, and was granted review on June 24. Oral arguments are scheduled for this fall. If the Supreme Court rules the appointments were invalid, any decisions or any regulations issued during the time the recess appointees served will likewise be invalid (the recess appointees have not promulgated any regulations since they were appointed as both the ambush and notice posting rules were promulgated prior to the recess appointees taking office).

This summer, in a deal to avert the "nuclear option" of Senate rule changes to limit filibusters, Senate leaders and the Administration agreed that the President would withdraw Block and Griffin as NLRB nominees and make two new nominations, in exchange for those nominees and others, including Labor Secretary nominee Thomas Perez, to be voted on in the Senate. The new members of the NLRB are Nancy Schiffer, Kent Hirozawa, Philip Miscimarra, and Harry Johnson.

Ambush Elections
IFA and CDW challenged in D.C. federal district court the NLRB's "ambush" election rule, which would radically change the process for union representation elections. The rule would shorten election time frames and limit employees' opportunity to hear from employers before making a crucial workplace decision—whether or not unionize.

On August 7, 2012 the NLRB appealed to the U.S. Court of Appeals for the D.C. Circuit court decision striking down the ambush rule, as well as the district court's rejection of the Board's motion requesting the court to reconsider its initial decision. The district court agreed with CDW that the rule was invalid because NLRB Member Hayes had not participated in the vote to issue the rule. Under Supreme Court precedent, three Board members must cast a vote to issue decisions or promulgate rules, and without Hayes' participation, only two members cast a ballot. The earliest we would expect a ruling is this summer.

We suspect the Board has not attempted to re-issue the rule with its current composition because any new rule could be struck down if the pending challenge to the recess appointees (see discussion above) is successful. With newly-confirmed NLRB members, the Board will most likely re-issue the ambush rule this fall—this time with far more onerous provisions. CDW with the assistance of IFA intends to challenge any rule the Board issues that has the same or similar impact.

Poster Requirement
IFA and CDW filed a suit in federal court to prevent implementation of the NLRB's unlawful effort to force approximately 6 million workplaces to post notices that amount to advertisements for joining a union.

The U.S. Court of Appeals for the D.C. Circuit heard oral arguments in CDW's challenge to the NLRB's notice posting rule on September 11. CDW appealed the case to the D.C. Circuit following a decision by a D.C. federal district court judge, which found that the NLRB had the authority to require employers to post the notice, but limited the Board's ability to *automatically* sanction employers for noncompliance (the court said, however, the NLRB could impose sanctions if it found after an investigation that the employer's failure interfered with employees' NLRA rights). Last spring, the D.C. Circuit granted our request for an injunction preventing the NLRB from enforcing the rule while our appeal was pending. On May 7, the D.C. Circuit Court of Appeals struck down the poster requirement, saying it violated the NLRA and was beyond the NLRB's authority.

Keep in mind the U.S. Chamber of Commerce has mounted a separate challenge to the notice posting rule. In that case, a South Carolina federal district court found the NLRB could not require the poster. The NLRB appealed the decision to the U.S. Court of Appeals for the Fourth Circuit. We do not expect a ruling from the Fourth Circuit until the fall of 2013.

Persuader Rule

On June 21, 2011, DOL issued a proposed rule that would drastically change certain reporting requirements under the Labor Management Reporting and Disclosure Act (LMRDA) relating to the use of paid "persuaders" by employers. Since 1959, the LMRDA has contained a requirement that employers file certain reports with the DOL if they use outside labor consultants to persuade their employees with respect to union organizing and collective bargaining issues. The law contains an exemption for consultants and lawyers that provide employers with advice but do not directly interact with employees. DOL has proposed greatly narrowing that exemption.

The net effect of the proposed rule changes would be to discourage employers—particularly smaller employers—from seeking legal representation in the course of a union campaign. Under the requirements, employers and their labor relations advisors would need to report details of the agreement, information about the employees affected, and all related financial data. It would also severely penalize employers, consultants, and attorneys who inadvertently fail to report activities and agreements that for nearly five decades had fallen squarely within the advice exception. Certain violations could even result in criminal sanctions.

In short, the proposed changes would diminish employers' access to legal advice and interfere with attorney-client privilege. The proposed rules are designed to silence any employer opposition to union organizing.

<u>DOL stated in its last regulatory agenda that it planned to issue the final regulation in April 2013, but has yet to do so.</u> With the confirmation of Secretary Thomas Perez last month, we expect DOL will issue a number of pending rulings, including the persuader rule.

CDW and IFA plan to challenge any final regulations in court that are substantially similar in impact to the proposed rule.

Companion Exemption

The U.S. Department of Labor made a recent ruling on the companion exemption within the Fair Labor Standard Act (FLSA). The ruling removes the exemption from the FLSA for third-party providers in regards to in-home care. IFA submitted comments on the ruling to the Department of Labor in mid-March 2012 and led the charge for a Congressional hearing in the House Education & Workforce committee in which a Home Instead franchisee testified. IFA has also led a push for legislation putting the exemption into law rather than a regulatory rule. DOL sent its final rule to the Office of Management & Budget (OMB) in January. The General Accounting Office (GAO), with the help of IFA, will be producing a study on government costs associated with the rule change.

Similar to the persuader rule, we expect a new regulation soon with the new Labor secretary. IFA staff, along with the CEOs of Home Instead, Visiting Angels and Home Helpers met with Secretary Perez and other top DOL officials regarding the companion exemption last month, and there is a possibility that OMB will request that the Department of Labor re-work the final rule to mitigate costs to the government, the disabled community and seniors.

VETERANS IN FRANCHISING

Help Veterans Own Franchises Act

In the 113th Congress, Sens. Bob Casey (D-PA) and Marco Rubio (R-FL) have re-introduced the Help Veterans Own Franchises Act, S. 1015. The bill had nineteen co-sponsors in the House of Representatives and two co-sponsors in the United States Senate during the 112th Congress. It currently has one additional Senate co-sponsor. This bill, which the IFA strongly supports, will provide a tax credit to veterans who purchase franchise businesses. The veteran will receive a tax credit of up to 25% of the franchise fee not to exceed $100,000. With continued budget fights and the battle over tax reform in full throttle, the Help Veterans Own Franchises Acts has limited chance for movement as a stand-alone bill in 2013. We will continue to look for vehicles, including tax reform, to move the legislation.

Franchise Education for Veterans Act

H.R. 179 / S. 938, the Franchise Education for Veterans Act, sas been re-introduced in the 113th Congress by Rep. Tim Griffin (R-AR) and Sen. Jerry Moran (R-KS). The bill would allow veterans to use the GI Bill benefits for franchise training costs not to exceed $15,000.

TRAVEL & TOURISM

IFA is working closely with its partners in the travel industry to promote and expand international and domestic travel within the United States. IFA, along with is partners, has pushed the Administration and Congress to act on initiatives such as improving the visa process, expanding the Visa Waiver Program and accelerating travel-related infrastructure projects. H.R. 1254, the *Jobs Originated through Launching Travel (JOLT) Act,* would increase international travel to the U.S. by making visa program improvements and offering travel incentives, is sponsored by Rep. Joe Heck (R-NV) in the House.

GRASSROOTS – FRANCHISE CONGRESS

Franchise Congress is IFA's grassroots and grasstops advocacy program that encourages franchisors, franchisees and suppliers to build relationships with their members of Congress and state legislators through various advocacy activities. We now have over 600 members in the

Franchise Congress program, as compared to 250 at the beginning of 2012. Franchise Congress now has members in all 50 states and over 300 Congressional districts. We will continue our recruitment efforts in 2013, working to cover all 435 Congressional districts with at least one Franchise Congress advocate by the end of the 2014 election cycle. Please note - all Board members and current FranPAC donors have been added to the Franchise Congress network.

In addition, we have placed particular focus on recruiting multi-unit franchisees into Franchise Congress this year. These relationships with Members of Congress and multi-unit franchisees, key business leaders in their districts, are instrumental in communicating both the fundamentals of franchising as well as key issues.

This year, Franchise Congress members have already participated in a multitude of activities at the state and federal level including:

- Writing letters to their members of Congress
- Testifying at Congressional hearings on health care and the state of small business
- Reporter roundtables in Nevada and Arizona (key Senate states) on comprehensive immigration reform
- Media briefings and interviews on key legislative priorities
- In-district member roundtables in several key House districts on tax reform
- Franchising Day in California to educate lawmakers on the franchise model
- Testified against harmful legislation in Maine

FranPAC

The last several years have obviously been a time of tremendous growth for FranPAC – more than doubling the size of the PAC in five years. As a reminder, FranPAC raised $633,584 in 2012 (a new record) which put FranPAC at $1,232,277 for the 2011-2012 cycle.

The strategic plan for the 2013 calendar year is to maintain the same level of contribution and engagement – with a goal of $650,000. Maintaining this level of giving is often more challenging in non-election years, as members are not as politically active. However, we already have $$625,635 in pledges for the year with $310,377 in receipts processed (as of 8/22/13).

As we began the 2014 election cycle, we have implemented several new FranPAC benefits, including an invitation to the Summer Board meeting’s wine auction for the first 20 new max donors. We are also in the process of rolling out a new $52 club (a dollar a week) targeting franchisee members.

In addition, we are placing a renewed focus on gaining “prior approval” from all IFA members in order to grow the solicitable class of FranPAC donors. Under federal election law, IFA must receive express prior approval from a company representative each year before FranPAC can solicit for contributions. The prior approval process is a legal hurdle that all trade associations must abide by when soliciting funds from individuals employed by corporate members.

INTERNATIONAL FRANCHISE ASSOCIATION
STATEMENT OF GUIDING PRINCIPLES

IFA INTERNATIONAL FRANCHISE ASSOCIATION

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

For over fifty years the International Franchise Association has worked to educate franchisors and franchisees on beneficial methods and business practices to improve franchising.

Franchising is a dynamic and evolving method of expansion and business ownership. Beginning with the adoption in 1970 of the first franchise disclosure requirement in California; working with the Federal Trade Commission to achieve the first national franchise disclosure rule in 1979; continuing with our efforts that contributed to changes to the federal Franchise Rule in 2007; and ensuring an ongoing constructive dialogue between our leadership and federal and state regulators and government leaders, the IFA has continually worked for improvements to pre-investment franchise disclosure and franchise relations.

Through the considerable and continuing efforts of our association and its members, the IFA has contributed to the growth and stability of franchising in the United States. It is because of the historic and continuing efforts of the IFA and its members to improve pre-investment disclosure and advance beneficial franchising practices that franchising is one of the most important vehicles today for the creation of small businesses ownership and jobs in the United States.

This Statement of Guiding Principles has been promulgated for and has been adopted by the Board of Directors of the International Franchise Association in our continuing effort to advance improvements in franchise practices and to enhance franchise relations. As an association of franchisors, franchisees and suppliers we believe:

1. Franchising is a unique business model. It is in the interest of the franchisor, each franchisee, the suppliers to the franchise system and the consuming public that franchisors define, maintain and enforce Brand Standards throughout the franchise system.

2. It is the goal of every business that each stakeholder be successful and franchising is no different. Franchisors and franchisees need to be profitable to be successful. However, as in any business model, franchising is not immune to the risk of failure and neither the franchisor nor the franchisee is guaranteed economic success.

3. Franchisees should clearly understand the franchise business model before investing. It is the responsibility of each prospective franchisee to conduct a thorough due diligence of the franchise system, to retain competent legal and other advisors, and to fully understand the terms contained in the Franchise Disclosure Document before signing any Franchise Agreement.

4. Prospective franchisees have the prerogative, at the start of the franchise relationship, whether or not to enter into any particular franchise relationship. Prospective franchisees may also choose to not become franchisees of any franchise system.

5. While not transferring any equity in the franchisor's intellectual property to the franchisee, franchisees should have the opportunity to monetize any equity they may have developed in their business prior to the expiration or termination of the franchise agreement.

6. The licensor is the owner of its intellectual property, including without limit, its trademarks, trade secrets, methods and standards of operations. The Licensor has the right and also the obligation, under the law, to protect its intellectual property and to define the terms under which it licenses to others the use of its intellectual property. It is the terms contained in the Franchise Agreement that define the license granted to franchisees and which govern the relationship between the franchisor and franchisee.

7. Franchisors should clearly understand the franchise business model prior to choosing franchising as a method to expand their business concept. Franchisors should be knowledgeable and understand the financial, business and legal terms included in their Franchise Disclosure Document and Franchise Agreement.

8. The franchisor has the right, as owner of its intellectual property, to include or not include successor rights in the Franchise Agreement offered to prospective franchisees. The franchisor also has the right to establish the then current terms contained in the successor agreements it offers to franchisees. Franchisees may choose to negotiate, accept or reject any offer.

9. Clarity and transparency is essential for establishing and maintaining positive franchise relationships and for the goal of continuous improvements in the franchising environment. Franchisors and franchisees should maintain proactive business policies, communication practices and regularly consult with each other for the enhancement of franchise relations.

10. Subject to the requirements under the law, franchisors should focus primarily on the business requirements of managing and striving for improvements to their franchise system. Franchisors should support their franchisees and enforce Brand Standards necessary to enhance the economic performance for both the franchisees and the franchisor. It is the responsibility of franchisees to manage the day-to-day affairs of their businesses to meet the franchisor's Brand Standards.

11. Improved pre-investment disclosure will benefit both prospective franchisees and franchisors by enhancing the competition among franchisors for qualified franchisee candidates. By clearly communicating the terms contained in a franchise offering, prospective franchisees will be better able to evaluate and make investment choices among the wide range of franchise opportunities available to them and to choose from those that meet their goals, ambitions, financial and, other requirements.

12. Market Forces, and not government mandates and relationship laws, should create the climate for changes to Franchise Agreements and should drive improvements in franchising practices.

From Single-Unit Owners To Multi-Unit Achievers

April 2009 *Franchising World*

A challenging but rewarding growth strategy.

By Rocco Fiorentino, CFE

As we look around the franchising community, it has become increasingly obvious that every year, more franchisees are becoming multi-unit operators, and more franchisors are focusing their development efforts on these multiunit achievers. Many franchisors now only offer multi-unit deals, and no longer offer single-unit development. Franchising has been around for the better part of a century now, but significant multi-unit growth has taken place in just the last decade. Clearly, the direction toward multi-unit operators will dominate the franchising industry in the foreseeable future.

According to Darrell Johnson of FRANdata, since 2005, more than 50 percent of all franchised units are operated by multi-unit operators, and about 20 percent of all franchisees are multi-unit operators. It is expected that these numbers will continue to rise. For both a franchisee and a franchisor, multi-unit development can be a very positive experience.

Two aspects, in particular, are driving this trend. The first is that we have now raised a generation of professionally-managed, large organizations that are franchisees, both multi-unit and multi-concept. Lots of these folks want to be part of a big picture and are not interested in re-inventing the wheel on their own. They want to run with a winner and be a big part of a proven system. These organizations can often spin off into smaller similar companies as key employees go out on their own as franchisees.

The second aspect is that franchisors have started to embrace multi-unit operators rather than fear them. This has been a huge shift in mindset over the past several years. Dunkin' Brands is one of the many franchise organizations that have made the shift toward multi-unit development and no longer offers singleunit opportunities. More franchisors will follow this trend in an effort to fuel growth.

Lane Fisher, CFE, a franchise attorney with FisherZucker in Philadelphia, states that almost all franchisors are requesting language in their new franchise agreements that address multi-unit development and area development programs.

The Difference

There are some similarities and some key differences between a single-unit owner and a multi-unit achiever. Both are seeking a proven system. However, the difference is in the ultimate goal of each of these individuals. Single-unit owners are primarily interested in securing a career with stability for themselves and for their families. And when the opportunity comes along to expand, it is typically done over a longer period of time and the risk is spread out over many years. Therefore the rewards are also spread out over many years.

Some franchisees begin immediately with multiple units while others begin with one unit and expand over time because some franchisees are more comfortable delegating and managing growth, while others are very comfortable in the role of an owner-operator, at least, for the moment. The skill-set required to manage multiple units is quite different than that required to operate a single unit.

There is no guarantee that a good singleunit owner would be a successful multi-unit operator. In some cases, the desire to be a successful multi-unit operator is easier said than done. Executing the plan and learning how to manage people instead of managing the unit is the challenge.

The multi-unit achievers have a larger plan in mind and want to grow quickly. Their plan requires an opportunity with a brand that enables the achiever to expand quickly within a given market and requires the capital to expand rapidly, and most of all, the ability to develop people to execute the growth strategy.

In many cases, these sought-after franchisees have been well-capitalized and, at least in the past, have had investors or lenders waiting to provide the capital for expansion. It is obvious that this is an attractive way to grow quickly for any system. In light of the economic downturn that we are experiencing today, franchisors may need to provide more financing options than ever before and the financial strength of the franchisor will be considered more now than ever before by the potential franchisees, their investors and their lenders.

What Are the Rules of Engagement?

There are some key questions to ask before deciding to take this route for additional expansion.

First, are we really ready? Franchisors have been gearing up to direct their future growth strategy toward multi-unit/multibrand operators for several years. They are restructuring their systems to support these larger players. Their business development teams must now have the savvy and sophistication to reach these new players and get their attention. The unit economics must meet the requirements of the larger players and their investors. Additionally, the potential for system-wide growth in sales and units will be a determining factor. It will be necessary to know that the system can provide more than a career or a comfortable living for the owner. These new entrepreneurs want ROI and assets that increase in value. CFO now stands for “Cash Flow Officer” as cash will be critical for expansion.

Franchisors are now being evaluated on their history of closed units, assistance with struggling units, system-wide growth and category growth within the industry. The ability to provide a comparative historical risk analysis of both franchisor and system performance will certainly be a consideration and provide a competitive edge for franchisors who have positive performance trends.

Gary Robbins, a 32-unit operator of Supercuts Salons in the Philadelphia area states that the secret to multi-unit ownership success for his organization are the people or, as he refers to them, as the “human capital.” Additionally, he comments that relationships and expectations must be developed and managed, which all gets back to the people.

One must wonder that although franchisors are seeking that “big fish,” are they doing anything to develop the current single-unit franchisee that has the desire to grow? Is there any merit to developing good franchisees within your system? There are many good single-unit franchisees who would like to expand and already have a good track record with the franchisor. These operators have profitable units, consistently follow the system, pay their royalties on time and are generally good corporate citizens. They may be perceived as the “low hanging fruit” of the brand. These brand ambassadors can positively impact the entire system when asked to take over a failed unit within the same market, or commit to a new location that is available before it is lost to another competitor. Smaller secondary markets where there is not enough room for large growth is an excellent opportunity for existing franchisees to develop additional units and build brand awareness.

Becoming a Multi-Unit Franchisee Can be Achieved By Design or by Default
By Design: The “big fish” is a term that is used to describe the multi-unit franchisee that is only interested in developing a large territory in a relatively short amount of time. This individual or group has some type of infrastructure in place and has contacts and experience in real estate, local marketing, operations and finance. In some cases, the big fish is already operating multiple units with an existing brand and is looking to expand into yet another brand or concept that would allow leveraging the current infrastructure to support the new concept.

Many multi-unit organizations will certainly have individual operations teams for each of the brands; however, there are many other areas of infrastructure and management that can be shared. Human resources, accounting, real estate and construction are just a few.

Typically, big fish are looking for a great opportunity in a well-established brand or, occasionally, they may want to get in on the ground floor of a new, emerging brand or concept. Either way, franchisors must be prepared to share their strategy, expansion plans, changes in support services, and even unit-economics for multi-unit or passive operators. As in many good relationships, the long-term goals of both parties should be compatible. The multi-unit operator will need to be responsible to perform and maintain the development schedule that was agreed to, and the franchisor will have to be ready to accommodate and support this growth along the way. The payoff is huge if everyone does his part.

By Default: Single-unit operators will eventually want to expand to an additional unit or two at a pace that is compatible with their available capital, their desire to grow, and their ability to develop an infrastructure. Some may have a lower tolerance for risk and may require more real available cash and less debt.

The big questions for these operators are: How big and how fast?

This is a very challenging growth strategy for many reasons. The single-unit operator must understand when to expand. But we all know, timing is everything.

This is the time to learn how to capitalize on strengths and be prepared to delegate weaknesses. Developing a solid team that can grow with your organization is also very difficult. A unit manager who can perform well under direct supervision must also perform as well or better without direct supervision. Instead of focusing on the day-to-day operations, the new multiunit operator must now learn how to maximize his talent, provide clear direction for his team, and focus on profitability and efficiency in operations.

Change is more difficult for some than others. There will be many new areas of responsibility for the new multi-unit operator. Real estate, construction and financing, just to name a few, will take up much time and effort. The good news is, many franchisees are considering making the move to multi-unit and many have already taken the leap.

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Measuring Franchise Development Performance

***Franchising World* July 2008**

Disciplined use of the right measurement tools will then lead to performance-improving decisions.

By Ben Davis

Lately, the news has been filled with stories about economic conditions that are affecting franchise recruiting. The anxiety of dealing with candidates' fears of a financial downturn, diminished availability of credit and overall depletion of net worth has caused much anxiety among franchise development professionals.

All this raises some basic questions: "How much has your average cost per deal changed?" "At what stage in your mutual evaluation process are you losing the most candidates?" "By what amount has your average net worth per applicant changed?"

The blank stares and fumbling to come up with some anecdotal evidence to support an assertion indicates that the franchising industry may be spending too much energy worrying about factors it doesn't control and neglecting the factors that it could and should control.

Imagine franchise development business units as large machines with many different levers to pull. Each lever affects the output of the production asset differently. Many of these levers, such as economic conditions, move up or down, independent of our efforts to control them. So, unless someone has an inside line to the chairman of the Federal Reserve or a secret solution to the energy crisis, we should step away from those discussions that focus on things beyond our circle of influence and teach our franchisees to do the same.

Which levers can we pull to improve our ability to recruit the right franchisees? What elements of the franchise development machine do we control, and how do we know which levers to pull as we endeavor to improve performance?

Four Levels of Control

Boiled down to core elements, there are four key levers we own. These four are outlined in the following question that should, in some form, guide our daily analysis of recruiting programs:

What performance data should we be tracking to ensure we have the right team using the right process to communicate the right offering to the right candidates?

• **Team: Human capital**—Who do we have telling our story to our candidates? How effective are our candidate interactions with our qualifiers, development directors, franchise owners, other team members?

• **Process: Steps and tools**—What steps, tools, collateral, methods, gates and events do we use to get to know the candidates, share our franchise story and move them through—or out of—the mutual evaluation process?

• **Offering: Terms of the relationship**—Does our franchise agreement and disclosure document appeal

to the right candidates in the right ways? If we are seeking multi-unit owners, do the terms of the offering appeal to them? Is our fee structure competitive with comparable offerings?
• **Candidates: Lead Generation—**Who are you engaging in your mutual evaluation process? Do we have enough of the right leads going into our franchise development machines? Are we advertising in media targeted to a high-net worth, multi-unit-focused audience when our concept is really a low-investment, owner/operator model?

If those are the levers we must pull to improve the output of our machine, how do we know which way to move them and how do we know what the impact of our lever shifting has been? We could just sit back, make a few lever adjustments and check back in six months or so to see if our machine is producing more of the right kind of franchise owners. The convenient aspect of this approach is that if performance has failed to improve, we can simply say the failure was due to shifts in the levers we don't control. In some areas of our industry, this seems to be the prevailing strategy. Unfortunately, that strategy will not lead to the growth we need.

The first step to understanding which levers to shift, and in which direction, is measurement. The author Thomas Monson has said, "When performance is measured, performance improves. When performance is measured and reported back, the rate of improvement accelerates." It almost seems like a gross over-simplification to claim that performance can be improved by simply gathering data and looking at it frequently. Yet there is a great deal of evidence, across every type of performance improvement endeavor, to support this assertion.

Before we waste time being victims of things we can't control and complaining about how output of the machine has diminished, let's make sure we actually have a clearer understanding of what's going on inside the machine.

As we analyze the impact of each of the four levers, here are a few best practices for improving performance through measurement and reporting:

1. **Identify the impact that each of the four levers has on each stage of your mutual evaluation process**
This is a great exercise for the entire franchise development team. If you haven't done so already, sit down and identify the key stages of your franchise concept's mutual evaluation process (i.e. inquiry, lead, prospect, candidate, discovery day, franchise owner). Then ask the question, "What does this point of the process look like when we've got the right team? The right candidates?" And so on. Be specific and impartial. Try to separate your analysis from just looking at what you are doing now and examine what things would look like in a perfect process. Define the actual optimal behaviors of all parties involved. Contrast your answers against what you think that stage would look like when you've got the wrong process, or the wrong offering.

Try taking the exercise one step further by assigning a 1-to-5 ranking score to each of the four levers at each stage in the process. Ask the question, "If the other three levers were performing at a slightly sub-optimal level, to what degree would having the perfect team, offering, candidates or process impact our ability to convert candidates from this stage to the next?" Examine and discuss the times when you have had a particularly good or bad team or lead source. Use reliable data available from that period to inform your rankings. Add up the scores given to each lever at the end of the process and you will have a better understanding of what you and your team, if you included them, feel are the most important levers of your mutual evaluation process.

2. **Create a clear metrics management strategy**
Once you are sure you have a clearer picture of the key inputs and influences in your mutual evaluation

process, take a minute to identify how you are (or should be) gathering the data that will quantify how well you are executing against optimal behaviors you defined in the previous exercise. For example, if you observed that you received the highest number of franchise applications or confidential questionnaires when the candidate was contacted within one hour of inquiry, how will you gather and use data to show average response time?

In conversations with other franchise development professionals, I’ve been surprised to learn that the degree to which franchise organizations track key performance indicators, and the specific metrics they choose to track, varies substantially. Few of us could say that we have every piece of data at our fingertips that we would like. While tracking and analyzing output metrics such as deals per month is certainly useful, as it shows us what has happened, managing the more performance-operational metrics are very important, as they show us how we got where we are and are predictive to output metrics.

If you are “data challenged,” start with a plan. Think of a tiered system where at the top you have the most basic data sets (i.e. leads/month, deals/month, deals/team member, etc). If you are already tracking that tier of data, then drill down to the next level (i.e. last-12-months-leads by source, leads/ application, leads/discovery day attendees, deals/discovery day attendees). As you drill down to the bottom, you should be gathering very specific analytics—the last 12 months average conversion rate from stage-to-stage by lead source by team member and average time in each stage of the mutual evaluation process by lead source.

Identify the tier where you are located and put a plan in place today to get to the next level. Whether you are using a Web-based sales force automation tool or a simple spreadsheet, start today with a plan in place to get you where you want to be. Simple and manageable reporting is much better than the over-engineered, complex alternative. Don’t let the data management process manage you: Use the data to manage your processes. The whole “garbage in-garbage out” scenario is often a result of managers trying to run overly-complex analytics up against insufficient or poorly gathered data sets. Keep it simple.

3. **What you measure is what you get**

As you drill down through the tiers of data, be careful which particular metrics you choose to place on dashboard reports. If you make “average daily call time” a key metric, you will likely see increased average call time. However, simply exchanging more words over the phone lines will not necessarily ring the bell. Measure and make transparent only those metrics tied directly to the optimal behaviors identified in Step 1.

4. **Benchmark appropriately**

We are fortunate to have great research and analysis available from organizations in our industry. Reports and data are readily available for us to use as benchmarking tools as we seek to improve performance throughout our organizations. However, a word of caution: Benchmarking against dissimilar sets of data can lead to unrealistic targets, both high and low. If your concept is a low-investment, home-based business, you wouldn’t want to benchmark against industry-wide numbers that include high-investment, longer sales cycle concepts. If you are unsure what a realistic target should be, on a particular metric you may choose to track, the best numbers to use as a short-term benchmarking tool will be your most recent and best performance.

5. **Love your data**

As a panelist at the last International Franchise Association convention, I joked that we should have regularly updated charts of key performance indicators hanging on the wall next to pictures of friends and family, and that we should gaze at the charts with the same frequency and fondness as we do the pictures. This may be overdoing it, but the idea of making crucial metrics ubiquitous and transparent to all stakeholders is very important. Managing metrics that don't directly affect performance and decision-making is a waste of time. By extension then, if a metric is important enough to track, it should be made consistently visible so that it can inform all stakeholders' management decisions.

As franchise organizations, franchise owners and individuals, our performance will be well served by choosing to focus only on those aspects of our business that we can actually control. Disciplined use of the right measurement tools will then lead to performance-improving decisions.

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Franchise Sales Leads–An Evolutionary Tale

Franchising World May 2012

By: Matt Alden, CFE

Back in the day, franchise company representatives would use the telephone to qualify or disqualify leads and wait for the next call. Meanwhile, some of the leads would keep calling, because your company contact was their primary, if not the only, source of information about your franchise opportunity. Leads showed up and said, essentially, “educate (sell) me.” How luxurious to control how leads contacted your company, what information was available to them, and when and how your business delivered that information to them.

Then leads began to show up in this electronic mailbox on your personal desktop computer, if there was one yet. Either way, the phones were a lot quieter. But, at least for a while, the phone numbers they provided in these inquiry forms on the Internet were accurate and, more often than not, franchise company representatives would talk to the lead within a call or two and be off to the races with those that remained engaged because they still controlled the information people sought to evaluate your franchise business.

Then your email started overflowing. Every day there were more leads and they started to lose their luster. There were still buyers in the mix, but finding them was less fun and more work.
Then people started sending tire-kicker leads into a fancy lead management system that identified the good ones and fed them all the same information according to the same process. This produced new franchisees like new cars rolling off the assembly line. Not like the good old days, but better than calling every last no good lead.

Then there were less leads appearing in your lead management system and sales slowed. Lead volume, the fuel firing an increasingly inefficient franchise recruitment process, was drying up. Or was it?
What happened and where did all the leads go? How are staff supposed to do their job of processing volumes of leads, or at least engaging those that jump through the right qualification hoops, if there are so fewer leads, and they are less than stellar?

Economic downturn and lending paralysis aside, perhaps the leads are still out there, but they’re just behaving very differently these days. They no longer need the franchise company contact to get the information that allows them to determine if your franchise is worth talking to at all.

Why do franchise directory sites or “portals” still have a lot of visitors, but fewer using the inquiry forms to request information from your franchise? Because an increasing percentage of visitors get the information they need about your brand at a portal. Then they continue to research your company by visiting your own site(s), scour search results about your company, and now easily search for what others are saying about your company. If your franchise passes these tests, then it might get a lead, it will be good, just like back in the day.

Okay, enough on the circle-of-life history of the franchise sales lead. The process of researching franchise opportunities and more closely evaluating those most attractive is somewhat fluid. It changes, sometimes subtly and slowly and sometimes, as witnessed over the past few years, it changes dramatically. While many franchisors have recognized and adapted to these changes, many more have yet to bring their lead generation (and sales process) practices up to speed to find success in today’s recruitment environment. To get up to speed, it’s important to understand why buyer behavior is changing, the implications these changes have for your lead generation practices, and what is needed to compete for buyers.

The Implications of Buyer Behavior Changes
First, why is buyer behavior changing? In a word, information. Today, that information is:

• More readily available and accessible than ever before. Buyers no longer need to give companies information to get information, at least not early in their research/evaluation process. They're deciding which companies make their first cut before franchisors have the opportunity to apply their sales process to influence that decision.

• Less what companies say about themselves and more about what others are saying about them. What others are saying about your franchise and, hopefully, how it is participating in these conversations, now trumps conventional sales communications and sales talk.

• Power for buyers. The good ones are pretty well educated by the time they start to talk with your company. When your franchise controlled the information, it generally knew what questions it would be addressing first. Today, that is no longer the case.

Second, what does this open season on information mean for your franchise development facility? It means that your people and process must be, or become, intuitive and adaptable. Today, increasingly well-informed and sophisticated candidates require some sales process flexibility. Companies can no longer assume that every lead is starting at the same place, or that he or she will accept the idea that the only way to interact with your franchise is by following a rigid process. One size does not fit all.
John Doe may have read franchisee satisfaction surveys about your company, purchased or downloaded your Franchise Disclosure Document, started calling your franchisees and Googled your executive team, all before contacting the franchise and becoming a "lead." Meanwhile, Joe Shmoe may have inquired about your company through a portal or your own site after reading one quick article about your company. Two very different leads, right? Resisting the convenience of forcing them into the same starting point requires that franchise have smart development people (even frontline qualifiers) that understand today's recruitment environment and can think on their feet to adjust their approach and process engagement points appropriately.

Third, what does your franchise need to do to compete for buyers? Here's the tough love, albeit a positive development for franchising at-large. Franchise companies need to have a solid concept with clear evidence of credibility and marketplace performance. At a minimum, they need to find and hone their appeal-factor, although the days of the manufactured or smoke and mirrors appeal-factor appear to be over. Franchisors can certainly shape surface-level demand and generate leads with a budget and a plan. However, unattractive concepts—those under-performing, of questionable reputation, poor validation, poor or no Item 19—are having an increasingly difficult time converting these leads into serious candidates and getting the right ones to the finish line.

Still Out There
Yes, leads and buyers are still out there. Franchises can find leads wherever they're finding information about your business without (or at least before) talking to you. Research is online—research results, increasingly weighted to social mentions about your business, portals, your own site(s)—and the leads are still there and growing. They're also still at franchise expos and reading print, even if their next step is to go online to continue researching prior to contacting your company.

Your leads and buyers are still there. They're just not connecting with your business as early and often as they used to. Leads are really just people raising their hand when they're ready to engage. So why do so many franchisors continue to require fields on lead forms like mailing address or how much money someone has? Do companies really need to mail or ship a VHS tape to prospects before starting an email exchange and have a phone conversation? Is your franchise still throwing out leads because they're not ready to share how much money they have before your first conversation?

People are increasingly resistant to disclosing personal information online and most no longer do so absent a sufficient payoff of convenience, novelty or access to otherwise unattainable information. The good news is that participation with social networks is ubiquitous and, even if the predominant demographic may be a bit young for franchise buyers today, in time, all of your leads and buyers will come from this logged-on population.

So your company is getting fewer conventional Internet leads? Guess what, many, perhaps most visitors at portals and your sites are logged on to one or more of their social networks all the time–social networks with which they've shared a lot of their personal information. Is it possible that some of their profile information can be passed directly into your inquiry form, perhaps in exchange for accessing a great franchise business snapshot report? Sure. Careful now, you're getting into providing quality information not readily available elsewhere, and using social technology to enable an easy, convenient sales connection with a potential franchisee. This could be called a lead, and it would be good, just like the good old days.

Your leads and buyers are still out there, many in the same places they've always been, some swimming in new ponds. Give them a new and better reason to connect with your franchise and make that connection as convenient and painless as possible. Sales lead behavior will continue to evolve. Make sure your company is evolving its practices accordingly, and it will continue to make quality sales connections in today's recruitment environment. It's okay, we can call these "leads," and they'll be great.

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IFA INTERNATIONAL FRANCHISE ASSOCIATION Franchising Building local businesses, one opportunity at a time.

Can Social Media Sell A Franchise?

Drive leads to franchise expos using Facebook and Twitter.
By: Joel Goldstein

October 2010 Franchising World

There are more than 500 million active users on Facebook, and the average user is connected to 80 community pages, groups and events, according to data found on the popular social-networking Web site. Odds are, you're on Facebook too, and so are a majority of the qualified prospects you're trying to reach.

Why is Facebook still an untapped market for recruiting leads and driving them to franchise events like the International Franchise Expo and West Coast Franchise Expo?

On the consumer side, companies quickly jumped on the social-media bandwagon to offer coupons, online deals and push their businesses. Now's the time for franchise development teams to get creative and begin using these effective, free online tools to communicate with potential candidates.

"We recently launched our Facebook and Twitter accounts and have seen a very positive response from fans," said Tom Portesy, president of MFV Expositions. "The key is to offer them something of value. That's the way to grow your audience and keep them coming back."

What to Communicate
Now that you're on a social-media site, what do you write about? Facebook, Twitter and LinkedIn are perfect platforms to promote upcoming franchise events and talk about company-related news. Did your company close five deals at West Coast Franchise Expo? Then, Tweet about it.

One of the major benefits of a Facebook fan page is that you can post video footage from events. Shoot some video footage with your Flip camera or iPhone of your booth and staff during an International Franchise Association-sponsored franchise expo and post it while the event is still under way. It will give your fans a chance to catch a glimpse of your location and introduce them to the sales team.

KidzArt, an international children's art education franchise company, prefers to offer discounts to leads. They have begun using Facebook and Twitter to contact candidates and drive them to the KidzArt booth at the West Coast expo.

"We announced that we are giving away two free franchises to candidates that attend or register for this year's West Coast Franchise Expo on our Facebook and Twitter pages," said Sue Bartman, CEO of KidzArt. "We will also give a free franchise away during the Expo to an applicant that submits the best video about KidzArt or Art Innovators on our Facebook profile."
Goddard Systems, Inc., franchisor of The Goddard School, has two distinct presences in social media as The Goddard School and The Goddard School Franchise. The company recently launched its franchise development side on Twitter and The Goddard School Franchise blog. In addition, the company created a tab within its Facebook fan page for franchising, rather than creating an entirely separate fan page that

just speaks to leads.

Ashley Betzendahl, GSI’s social-media coordinator, elaborates: “Our Goddard School presence targets current and prospective parents in our franchised schools. We dispense parenting information, tips and advice through Facebook, Twitter and The Goddard School blog. The goal is to create a community of parents who learn from each other and us every day. Our franchise-development blog distributes messaging on tips to help franchises and small businesses grow, as well as provide information about The Goddard School franchise. Messaging is also delivered about upcoming franchise events we’re attending and recaps on those events.”

Still in its social-media infancy, GSI has already received franchise inquiries via Twitter and seen an increase in interview requests from both consumers and franchise prospects.

Not a replacement for traditional lead capture
Will social media be the last stop for selling franchises? Not at all. A virtually free communication tool, social media is simply another way to interact with your prospects and remind them of upcoming events, franchise expos and how to reach you. Facebook, LinkedIn, blogs, Twitter, are all free ways to send your leads information.

United Franchise Group, which includes Sign-A-Rama, EmbroidMe, Billboard Connection, FranchiseMart and Plan Ahead Events, utilizes social media as an introduction between the prospect and the franchisor.

“We have fan pages and Twitter feeds for each of our five brands”, said Dave Masterson, chief technology officer. “We reply back to the leads in the fashion they are most comfortable with, some want direct massages back on Twitter, some prefer to contact us privately, so we shift over to their e-mail accounts.”

Think of social media as another way to speak to your prospects. If your company is attending Franchise Expo South in January, you are most likely informing your current leads by using e-mail blasts, direct mailers, press releases, and other message delivery methods. Add social media to that mix by pushing out a message to your followers that you’ll be in Miami this winter. Go a step further and mention that if a prospect has found you on Facebook or Twitter, they can receive a complimentary voucher for admission to the show.

Papa Murphy’s pizza chain does not have a separate account for its consumers and potential franchisees. Instead, the company occasionally posts a franchise recruitment message to the consumer Facebook fans to try and spark some interest in their program.

“We will generally announce a new market that has opened for franchise opportunities or promote a new store opening,” said Rhonda McGraw, manager of business development for Papa Murphy’s. “Another topic we promote is local franchise seminars we conduct throughout the country.”

Sport Clips hair-care provider for men and boys uses social media in a similar fashion. “Sport Clips utilizes its Facebook and Twitter presence as both a consumerfacing tool and to reach out to potential franchise investors,” said Beth Boecker, director of franchise recruitment. “We do so by communicating information about our franchise growth and expansion across the U.S., as well as sharing timely news of Sport Clips promotions and events.”

Facebook is International
According to Facebook official statistics, there are more than 70 translations available and about 70

percent of Facebook users are outside the United States. For franchisors targeting international expansion, this is a huge audience that's going untapped.

Sponsored by IFA, the International Franchise Expo attracts more than 150 international delegates each year, the West Coast Franchise Expo is highly targeted to the Hispanic community and Franchise Expo South is one of the top events for Latin America expansion. Before your next franchise expo, utilize Facebook to let prospects know your company will exhibit at these events.
Another tip: add the Facebook and Twitter links to your franchise development Web site. The next time prospects are visiting your site, they can easily click over to your social-media pages and learn where your company is exhibiting and which markets and countries you're currently targeting.

If you are looking for a good example, check out the ways MFV Expositions uses Twitter and Facebook to promote upcoming franchise expos and offer discounts to registrants and specials to exhibitors. More information on West Coast Franchise Expo, Franchise Expo South and the International Franchise Expo is available at mfvexpo.com .

Joel Goldstein is director of marketing for MFV Expositions. He can be reached at jgoldstein@mfvexpo.com . To view the WCFE page, log on to facebook.com/mfvexpositions or check out twitter.com/FranchiseEvents .

25 Things to Avoid When Using Social Media for Franchise Development

Knowing what not to do is half the battle.

Franchising World December 2011

By: Nick Powills

It is interesting to watch the progression of social media as it relates to franchising. Flash back to as recent as 2010, and companies will find many franchisors avoiding social media–not because they thought it wouldn't work, but more so because they didn't know how to make it work for them. Today, many social media experts have jumped onto the franchise bandwagon, yet very few have the ability to really coach franchise brands on how to use it, not only for consumer development but also for franchise lead generation.

Knowing what to do is half the battle. The other half is knowing what not to do. Here are 25 things to consider avoiding when strategizing a franchise development plan using social media.

1. DON'T OVER EXPECT. Many franchise development teams think that it's all or nothing when it comes to development plans. Great strategies are not get rich quick schemes. Sure, there are great success stories like Five Guys or Subway that had a quicker evolution than the rest of the pack. But that's the exception to the rule. When evaluating a social media strategy as it relates to franchise development, look at it as a piece of the puzzle, not the "be all" solution. Sure, there are success stories, especially revolving around a strategic plan using Facebook, but don't over expect.
2. LACK OF RESPONSE ON CONSUMER-FACING FOOTPRINTS. If your business is going to invest thousands, hundreds of thousands or millions into a franchise opportunity, would it fail to search every crevice possible? Of course, it would not. So do your prospects. Be sure to respond to every consumer post, because if negativity lives untouched, it will hurt the emotional excitement of both ghost prospects (people who are looking at your brand, but have yet to apply) and active prospects (who are talking with your franchisees and performing deep due diligence). If someone is complaining about your brand and that complaint can be found on Facebook, Twitter or the first page of a Google search, good luck explaining why you didn't care enough to respond.
3. OVERLOOKING LINKEDIN GROUPS. LinkedIn Groups are a great place to build an interactive zone once a prospect is locked in the process. Invite prospects to a private group and continue the interactions–only this time on a personal level.
4. NOT USING FACEBOOK TABS TO COMMUNICATE WITH LEADS. Search your competition's social footprint, especially on Facebook. Do they have a tab that says "Own an (insert brand)"? Probably not. Why would your business avoid using Facebook to communicate? A recent Wall Street Journal story stated that 46 percent of those with a million dollars or more in investible assets are on Facebook. If those with money are on Facebook, why wouldn't your company have a tab to increase the interaction potential?

5. USING TWITTER. Franchise businesses will get a few people who claim they awarded franchises using Twitter. While this may be the case, it is much more of a consumer tool than a franchise development tool. Yes, it should play a part in your strategy, but it shouldn't be the main generator. Focus your efforts on Facebook, LinkedIn and active blogging first.
6. FAILING TO PLACE PRESS RELEASES ON SOCIAL CHANNELS. You open a new location or sign a new franchisee. What do you do with that press release? Why not use it in your social footprint? Put it up on your blog, Tweet about it and post a status about your most recent franchisee on Facebook. It can't hurt.
7. NOT UNDERSTANDING SEO AS IT RELATES TO SOCIAL MEDIA. Today, Google is more impactful on your franchise opportunity than ever before. Companies must understand the SEO value of their social footprint, because it will affect franchise sales. A franchise prospect must first make an emotional connection with your brand. This process will take place through his due diligence search. If your Facebook page, if active, isn't appearing on the first page of a Google search, get it there. 8. OVERLOOKING YOUR PERSONAL FOOTPRINT. Social media is personal. How do you play in social media personally? The beauty of social media is that it has blurred the lines. What used to be reserved as black and white, business and professional, is now grayed. Think about the way you behave. It can change and help your process.
8. FORGETTING TO GOOGLEALERT YOUR BRAND. Google is social, especially with the launch of Google+. Make sure there are GoogleAlerts set up on you brand so that your franchise is always updated on news items and blog posts. Your prospects are setting them up. Don't you want to see what they see? These steps provide basic protection of your communication process.
9. NOT MONITORING YOUR FOOTPRINT AND BEING BLINDSIDED BY NOT KNOWING WHAT YOUR PROSPECT SEES. Just because your marketing team or outsourced communications firm manages your footprint doesn't mean you shouldn't watch it. Your brand should be on all of your sites, daily, so that you know what your prospects are seeing, reading and saying about your brand.
10. FORGETTING ABOUT FACEBOOK'S ANALYTICS. Facebook Analytics, known as "Insights," can provide substantial information on future markets. Your franchise can grow its fans in markets even before opening a location in these markets. Use these numbers as a part of your sales process. If your business has a prospect in Chicago, and your Fan Page has 200 people in Chicago, show the prospect this information. Show them that you are building the "Sonic" model (spending tons on advertising in a market prior to opening) by adding fans to build buzz.
11. NOT THINKING DIFFERENTLY WITH CONSUMER FOOTPRINTS. Marketing teams and franchise development teams should be best friends. If the franchise doesn't grow, then people lose jobs. If consumers don't understand the emotional connection and business possibilities of your great brand, then why be a franchise? Don't overlook the value of your consumers in your development efforts. And if your marketing team disagrees, say "let me help you understand." It's too valuable to fight about.
12. OVERLOOKING FACEBOOK ADVERTISING. Facebook advertising offers tremendous value. You can target prospects directly using ads, and the cost isn't crazy.
13. NOT MERCHANDIZING MEDIA COVERAGE. When a story publishes, it lives for one day in a newspaper. Add more life to it by putting it up on your social sites.
14. NOT CREATING SOCIAL POLICY FOR FRANCHISEES. Your franchisees carry tremendous value to your development efforts. Make sure you have a cohesive strategy and policy to follow. The typical franchisee will spend 30 days working hard to update their Fan Page. After that, they forget about it and go back to running their business. If you have a protector in place prior to them jumping into social media on their own, you can win the battle.
15. NOT MERCHANDIZING EXISTING FRANCHISEES. Teach your current franchisees how to have a voice. They can help build that emotional connection with prospects.
16. FORGETTING THE VALUE OF POSITIVE BRAND MOVEMENTS. New hire? Tell the world on LinkedIn. New opening? Do the same.

17. 18. NOT PERFORMING DUE DILIGENCE ON PROSPECTS. When prospects sign up, Google them. Find their Facebook Page and understand how they play when they are not trying to impress you.
18. ALLOWING AN INTERN OR NON-EDUCATED EMPLOYEE TO RUN YOUR CAMPAIGN. Why would you do this? If they don't understand franchising, don't let them communicate on behalf of a franchise brand.
19. NOT EDUCATING YOUR MARKETING TEAM ABOUT THE VALUE CONSUMERS HAVE ON YOUR DEVELOPMENT CAMPAIGN. Consumer testimonials are extremely valuable in a development process. Look how consumers raved about the hot new yogurt franchises. Think that impacts franchise sales?
20. FORGETTING ABOUT APPLICATIONS ON FACEBOOK. Cool applications can make a brand look cool. Cool contests add emotional connections. Build upon these.
21. NOT FOLLOWING YOUR COMPETITION. Watch your competition closely. Follow what they do and duplicate their great ideas. Chances are they didn't come up with that great idea, just modeled someone else.
22. TALKING AT YOUR END USER AS OPPOSED TO WITH YOUR END USER. Don't advertise. Communicate. If you don't, you will lose emotional bonds.
23. NOT EVOLVING YOUR SALES PROCESS TO INCLUDE SOCIAL MEDIA. You're reading this article. And if you got this far, you are obviously intrigued. You don't have to do everything. Baby steps are progress. Add a LinkedIn Group and go from there.
24. BELIEVING EVERYTHING YOU'RE TOLD OR READ. So many people claim to be experts in social media. Would a professional sports team hire one of us to coach their team? No way. Why? Because we aren't experts and don't have the resume. Check their social footprint before buying in.

Nick Powills is chief brand strategist for No Limit Media Consulting, a progressive communications agency that blends traditional PR with social media and marketing to create effective and results driven campaigns. He can be reached at 888-847-6562, Ext. 1 or nick@discovernolimit.com.

Summary of Franchise Offering Information

The International Franchise Association is committed to educating Prospective Franchisees on the dynamics of franchising and providing them with information to begin their evaluation of whether to become a franchisee. Take your time and explore our web site. It contains articles, studies, on-line educational programs, resources and reference materials that the IFA Education Foundation has published to help you understand how franchising works and to gain important information about franchising.

It is important that you understand that franchising is a complex business relationship and not every franchisor's offering will be right for you. Different franchisors even in the same industries may have different terms and offerings.

It is the Franchise Agreement that you elect to sign with your franchisor that defines the terms of the legal relationship you will have with your franchisor. Understand that you are **not** acquiring **any** rights that are not included in the written Franchise Agreement. You should not rely on any promises, assurances or other statements made by anyone unless they are contained in the written Franchise Agreement. As in any business relationship, if a promise or commitment is made – get it in writing.

When you become a Franchisee, you will have the right to use your franchisor's trademarks and system of doing business only for the period of time provided in the franchise agreement. Unless the Franchise Agreement provides otherwise, there is no assurance that you will have a permanent relationship with any franchisor.

The following summary information is not a substitute for your thorough review of a franchisor's Franchise Disclosure Document. The Franchise Disclosure Document will contain much more information and you should take the time to read it thoroughly. Prior to signing any Franchise Agreement and entering into any franchise relationship, you should have the franchisor's offering reviewed by a qualified independent franchise lawyer and an accountant or other professional advisor. It is essential that you conduct a thorough investigation prior to making any franchise decision and/or investment.

These summaries are the starting point of beginning to understand a franchise offering. Take your time. Becoming a franchisee is a significant decision and investment. Remember not every franchise is successful and like any other business, they can fail with adverse consequences to you as the franchisee. It is your responsibility to evaluate the franchisor and the opportunity prior to becoming a franchisee.

We wish you luck and success in the business you select.

(Insert name of Franchisor's Brand)

Description Of Franchise Offering (100 words or less)

____

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____

Contact Information

Contact ______________________ Email Address ______________________

Address ____

Telephone Number ______________________ Web Site ______________________

Company History

Business Established:		Franchising Since:	
Franchised Units in the U.S. 2013		Franchised Units in the U.S. 2012	
Company Owned Units in the U.S. 2013		Company Owned Units in the U.S. 2012	

Investment

Single Unit Start-up Cost:	$	to $	
Single Unit Total Investment:	$	to $	
Single Unit Working Capital Required:	$	to $	
Minimum Net Worth Required:		$	
Liquid Cash Required		$	
Are multi-unit development agreements offered?		Yes	No
Is franchisor on the SBA Franchise Registry?		Yes	No
Does franchisor provide direct financing?		Yes	No
Must franchisee manage the business personally full time?		Yes	No
Does franchisor provide a Financial Performance Representation?		Yes	No
Does franchisor participate in VetFran?		Yes	No
Is there a Franchisee Advisory Council or Franchisee Association?		Yes	No

Fees

Initial Franchise Fee		$	
Continuing Royalty Fee Yes No	Amount		
Do Franchisees contribute to a system Brand Fund?		Yes	No
In addition to the Brand Fund, are there additional marketing requirements?		Yes	No

Purchases

Does franchisor receive revenue on franchisee purchases?	Yes	No
Is there a requirement to purchase from specified/approved suppliers?	Yes	No
Can franchisee recommend alternative suppliers to franchisor?	Yes	No

Term Of Franchise Agreement

Length of initial franchise term		Are successor terms offered?	Yes / No
Number of successor terms		Length of Successor Terms	
Successor Fee		Are successor terms automatic?	Yes / No

Are the terms in the successor agreement the same as the original agreement?	Yes / No
Are there requirements to be eligible to enter into successor agreements?	Yes / No
If a successor term is not offered, can you transfer/sell your franchise?	Yes / No
Are there capital or other requirements to enter into a successor agreement?	Yes / No
Is there a non-compete requirement during term of the agreement?	Yes / No
Is there a non-compete requirement after the term of the agreement?	Yes / No
Can the franchisor terminate the franchise only for cause?	Yes / No
Are there liquidated damages upon termination by the franchisor?	Yes / No
Are there liquidated damages if franchise closes before the end of the term?	Yes / No
Can franchisee terminate the before the end of the term?	Yes / No

Transfers

Can franchisee transfer the franchise to a new owner (transferee)?	Yes / No
Must franchisor approve the transferee?	Yes / No
What is the amount of the transfer fee?	
Does franchisor have a right of first refusal?	Yes / No
Will transferee receive the current form of franchise agreement?	Yes / No
Will transferee receive a franchise agreement with a full term?	Yes / No
Are there conditions required as a condition of transfer?	Yes / No
• Re-investment or remodel	Yes / No
• Release of claims	Yes / No
• Other _______________	Yes / No
• Other _______________	Yes / No

Initial Training

Length of initial training provided	
How many people may attend the initial training?	
Are mandatory continuing training programs required?	Yes / No

Territory Rights

Does the franchisor provide franchisee with any territorial protection?	Yes / No
If any territorial protection is provided, does the franchisor provide protection from:	
• Additional branded outlets in the territory?	Yes / No
• The sale of branded products or services in the territory?	Yes / No
• From the sale of branded products or services through the Internet?	Yes / No

Dispute Resolution

Does the franchise agreement provide for arbitration or mediation of disputes?	Yes / No
Must arbitration, mediation or litigation be conducted in franchisor's HQ state?	Yes / No