

FRANCHISE

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# LEADERSHIP & DEVELOPMENT

CONFERENCE

SEPTEMBER 23-25, 2009

THE DRAKE HOTEL, CHICAGO

Thursday, September 24, 2:15 – 3:15pm

## **Development Track: Building Effective Resale Programs – Now More Than Ever**

### **Program Leader:**

John Dring, Instant Imprints Franchising, Inc.

### **Panelists:**

Theresa Huszka, TSS Photography

Greg Vojnovic, Popeyes Chicken and Biscuits

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**Building Effective Resale Programs:  
Now More Than Ever!**

John Dring  
Panel Leader

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**Building Effective Resale Program:  
Now More Than Ever!**

- Panellist:
  - Theresa Huszka, Director of Franchise Sales Development, TSS Photography
  - Greg Vojnovic, Vice President of Development, Popeyes Chicken and Biscuits
  - John Dring, President, Instant Imprints Franchising Inc.

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**Building Effective Resale Programs:  
Now More Than Ever**

Theresa Huszka  
Presenter

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**Building Effective Resale Programs:  
Now More Than Ever**

- TSS Photography
  - 26 years in business and in franchising
  - 230 units
  - 42 States
  - 8-10 Resale transactions per year
    - Franchisee to Franchisee
    - Franchisee to New Owner
    - Franchisee to Franchise Apprentice

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**Building Effective Resale Programs:  
Now More Than Ever**

- Provide planning session at convention for Zee's 3-5 years away from selling
  - Positioning for optimal growth and ROI
  - Identify possible staff candidates that could be groomed for ownership
  - Partial territory sales
    - Staggered sales for multi-territory owners
    - Broader pool of buyers

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### Building Effective Resale Programs: Now More Than Ever

- Franchise Apprentice
  - Contracts to run a portion of the Zee's territory for 3 years with option to renew and/or purchase.
  - Pays a percentage to overseeing Zee
  - Provides for natural succession planning when Zee is ready to sell.
  - Zee maintains ownership of all territory and accounts until sale



### Building Effective Resale Programs: Now More Than Ever

- "I'm ready to sell!"
  - Planning meeting w' Dir.'s Business Development and Sales Development
    - Review territory size and utilization and discuss options for single or multiple sales transactions
    - Review paperwork that buyer will want to review – including our Shoot Analysis, tax returns, etc.
    - Provide assistance determining the value of the business



### Building Effective Resale Programs: Now More Than Ever

- Review neighboring Zee's to determine possible options for Zee to Zee sale (discounted transfer fee and no commission)
- Set realistic expectations for timing
- Are they willing to carry a note on the deal?
- Discuss strategies for local advertising/broker agreements



### Building Effective Resale Programs: Now More Than Ever

- Resale Packet
  - Finder's Agreement
    - Secures our assistance in the sale - commissions range from 20% to 12% of sale price minus transfer fee, minimum of \$4,000
  - Sample Purchase Agreement
  - Sample ads for local advertising
  - Questionnaire for their web ad
    - On-line ad campaign w' BizBuySell.com
    - Split costs – commission applies



### Building Effective Resale Programs: Now More Than Ever

- "I found a buyer!"
  - Engage the Candidate in standard new owner approval process
  - Work with buyer and seller on paperwork and structuring options
    - Structuring the deal
    - Transition responsibilities
    - Reviewing all documentation and validating sales figures when possible



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### Building Effective Resale Programs: Now More Than Ever

Greg Vojnovic

Vice President Development - Popeyes

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### Building Effective Resale Programs: Now More Than Ever

- Popeyes, Louisiana Kitchen (as of July, 2009)
  - 37 years in business and 33 in franchising
  - 1,905 restaurants
    - 1,868 franchisee
    - 37 company
  - 1,568 domestic
    - 44 states, District of Columbia, Puerto Rico, Guam
  - 337 international
    - 26 countries



### Building Effective Resale Programs: Now More Than Ever

- Popeyes, Louisiana Kitchen (Domestic)
  - Approximately 70 restaurants transferred per year
  - Approximately 25 transfer transactions per year
    - About 2/3 Franchisee to Existing Franchisee
    - About 1/3 Franchisee to New Franchisee
- Average transfer fee of \$5,000 per restaurant



### Building Effective Resale Programs: Now More Than Ever

- Popeyes' position is to not take an active role in the resales of existing franchises
- If the franchisee asks us, and gives permission, we will let other franchisees know of the opportunity
- Other than letting prospects know of an opportunity, we do not market resales
- ALWAYS maintain an even handed, fair, non-interfering position



### Building Effective Resale Programs: Now More Than Ever

- If resale is to existing franchisee, they will need to complete our internal clearance process
  - Ops, finance, legal, audit, reimage, insurance, etc.
- If resale to a new franchisee, they have to complete same process as if building a new restaurant



### Building Effective Resale Programs: Now More Than Ever

- Established system has different circumstances than: new, emerging, rapid growth or mature brands
  - Large franchisee base
  - Established cash flows and less dependence on fee income from transfers or loss of royalty income
  - Can afford to take longer term outlook on:
    - Strategic placement
    - DMA dynamics
    - Franchisee dynamics



### Building Effective Resale Programs: Now More Than Ever

- We have presented succession planning workshops to franchisees at annual meetings
  - Not very well attended
- Our franchisees make their own internal decisions
- They generally have a good idea of what they want to do



## Building Effective Resale Programs: Now More Than Ever

- Termination situation
  - If the location closes because of financial reasons we will determine the potential for a new operator to be successful in the location
    - Decision may be made to not allow the location to continue to operate as a Popeyes<sup>®</sup>
  - Will typically allow a franchisee a workout or temporary licensing period during which they can market and sell on their own
  - Goal is for an organized sale
    - Allows existing franchisee to maintain as much value as possible
    - Sets up new operator to the extent possible for success



## Building Effective Resale Programs: Now More Than Ever!



Who needs resale's??, particularly when you are doing so well with new franchise sales!!!

RIGHT?

WELL I HOPE YOU HAVE ALREADY FIGURED THAT OUT!

We all do!!



## Building Effective Resale Programs: Now More Than Ever!



Today!

Would you agree that over the last year that more sales opportunities are coming from resale's then new sales?

The Fact Is!

The bigger and more mature the franchise system the more resale opportunities!



## Building Effective Resale Programs: Now More Than Ever!

Today Resale's provide great solutions to real business problems!

- Particularly when you need; new ideas, new revenue & capital, new marketing & advertising expenditures in the market and new people with a lot of new energy!
- Right now good people who want to be in business, need you!



## Building Effective Resale Programs: Now More Than Ever!



- Sellers are generally very motivated!
- Sellers will list with you to help them sell their businesses!
- They will help advertise and work with you to validate the system!
- They are the most flexible in negotiating!



## Building Effective Resale Programs: Now More Than Ever!

- So what are the benefits the buyer receives from a resale?



It offers all the intrinsic values:

- Customer base, immediate cash flow, existing inventory, an immediate on going operation, potential seller financing, and generally lower costs then a new franchise!
- And a opportunity of going back to work!!



## Building Effective Resale Programs: Now More Than Ever!

- So what are the benefits that the Franchisors receive from a resale?

Revenue

- New Franchise Fees
- Training Fees
- Transfer or Processing Fees
- Sales Commissions
- Upgrade on Equipment or New Inventory
- Furniture or Fixture Upgrades
- Continued Royalties
- Web Site Listing Fees or Referral Fees



## Building Effective Resale Programs: Now More Than Ever!

How do we find resale buyers?

- Existing Franchise Owners in your system!
- Referral programs for resale's!

friends, family, customers, real estate brokers, landlords, sales brokers, agents!

- Using new franchise leads!

You really don't have to look far!



## Building Effective Resale Programs: Now More Than Ever!

So, how many of you have a designated or specific section on your web site for resale's?

**Show of Hands!**



## Building Effective Resale Programs: Now More Than Ever!

**If not, then Why not?**

- Years ago in the early stone age of the Internet (the middle to late 1990's)
- Franchise sales were focused all about new franchise sales opportunities!
- No one really wanted to announce they had resale opportunities!

**And why not?**

- Because it showed a weakness in their system!
- Distracted from New Franchise Sales Opportunities!
- And provided no real revenue to the franchisor from the resale activity!

**So what's changed?**



## Building Effective Resale Programs: Now More Than Ever!

**The Web Site Activity has changed!**

- Would you agree the largest number of Franchise Sales leads you receive today are from the internet?
- Did you know typically the number one and/or two click thru items on your web site for most franchise systems are:

Business or Store locator and

Franchise and or **resale-opportunities**



## Building Effective Resale Programs: Now More Than Ever!

**Direct web site exposure to resale's provides:**

- More people are looking at your home page then ever before!

**Which provides;**

- New revenue opportunities for resale's for your business!
- More buyers looking for the right opportunity!
- Sellers will have a gateway to help them market their resale's activity!



**Building Effective Resale Programs:  
Now More Than Ever!**

Questions and or Comments?



Thank You!

