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The NRN 50: Opportunities Knocking Focus on new franchisees

Franchisors need to recruit and assist qualified candidates

By RON RUGGLESS



**IFA president
Matthew Shay**

(Jan. 26, 2009) A mid the deepest economic slowdown since the Great Depression, restaurant franchisors are enhancing or developing programs to broaden their franchisee bases as a means to grow business.

Franchisors as diverse as **KFC**, **Pizza Hut**, **Domino's Pizza** and **Little Caesars** Pizza all aim programs at minorities, women and veterans. Domino's, for example, offers veterans a \$20,000 discount off the franchise fee.

"Besides growing same-store sales, franchisee recruitment is the only other way to grow the business for a franchisor," says Matthew Shay, president and chief executive of the **International Franchise Association**, which represents franchise systems, franchisees and suppliers.

While the franchising industry as a whole is expected to see a decline in the number of establishments, jobs and economic output in 2009, an IFA report recently forecast the quick-service and full-service restaurant sectors to see small net increases in units.

"Franchisee recruitment is more important than ever in this slow economy and tight credit market," Shay says. "Franchise prospects are looking for 'safer' investments that offer greater financial security and lower risk. It's back to basics in recruitment programs. The emphasis for franchisors is on 'unit economics.' They must be able to demonstrate that their franchises are good, solid business opportunities, backed with a track record, a well-known brand, and with support and operating systems that give their franchisees a competitive advantage." In recruiting new franchise demographics, such as veterans, minorities and women, financing remains a big issue, Shay says.

"It will be important to demonstrate what franchisors are doing to help franchisees get financing, more favorable lease and real estate terms, etc.," Shay says. "There are options out there for franchisors to reach these targeted communities."

He cites the IFA's Veterans Transition Franchise Initiative, which includes cooperation for the U.S. Department of Veterans Affairs and the Small Business Administration.

"The IFA's Vetfran program is being promoted heavily on **www.military.com** and other websites catering to the veteran community," Shay says. "There are more initiatives to reach minorities and women through the IFA Diversity programs, including regional and state seminars for minorities to help them understand the basics of franchising."

Especially in a down economy, Shay says, franchise "prospects are going to look for franchise networks where the franchisor and franchisee are pulling together and working together as a team to make the best out of a bad economic situation."