



#IFA 2017

CONVENTION

JANUARY 29-FEBRUARY 1 | MANDALAY BAY | LAS VEGAS, NV

YOUR BUSINESS IS MY BUSINESS: THE CASE FOR EFFECTIVE STANDARDS ENFORCEMENT

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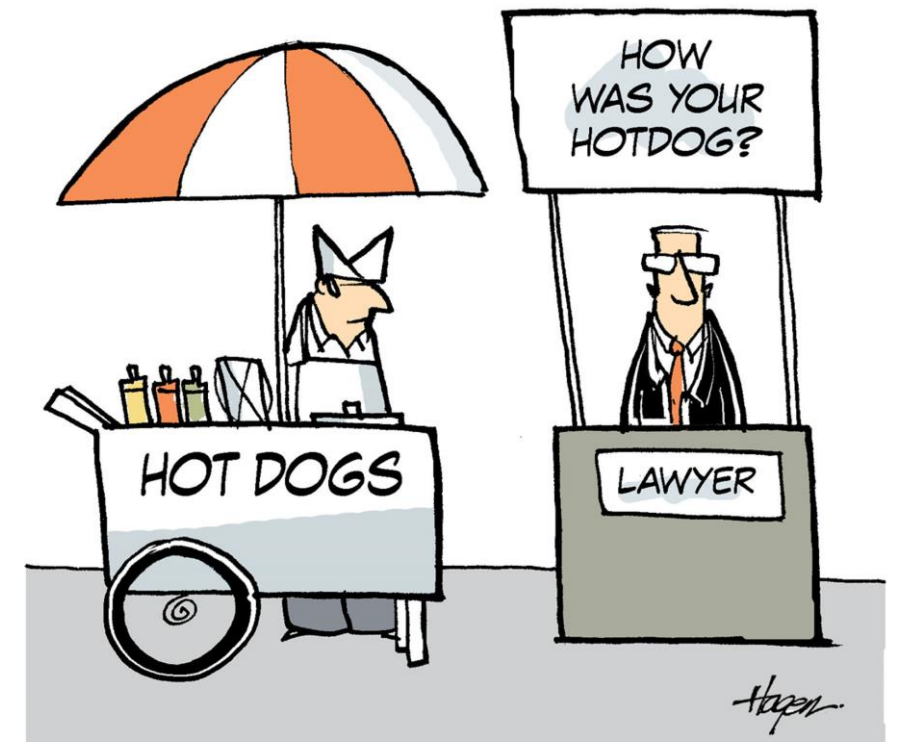
Washington, DC

Lessons To Be Learned

- Create a Culture of Compliance
- One Size Does Not Fit All
- Be Consistent, But Flexible

Frank's Hot Dog Haven

- 1,200 Units Throughout U.S.
- Mature System but Profits are Down
- Standards Enforcement Was Strong
 - Unannounced Inspections
 - Notice to Cure/Termination



Frank's Hot Dog Haven

- Enforcement Now is Lax
 - 1-2 Prearranged Inspections Per Year
 - If Don't Cut the Mustard, You're "In the Doghouse"
- Stores Not Clean – Viral Mouse Video
- New VP of Operations
 - Met With Franchisee Advisory Council
 - Doesn't Support Standards Enforcement Effort



Are All Standards Created Equal?

- Cleanliness
- Approved Products
- Approved Vendors
- Hours of Operation
- Brand Critical Standards

Are All Standards Created Equal?

- Employees Not Wearing Hats
- Viral Mice
- Worst Problem Areas

Does Standards Enforcement Affect Franchisor and Franchisee Profitability?

- Poor Enforcement Dilutes the Brand
- Impacts Sales and Royalties

Does Standards Enforcement Affect Franchisor and Franchisee Profitability?

- Strong Enforcement Involves Expense
 - Field Staff
 - Legal Costs
- Franchisee Investment

Is Poor Standards Compliance Indicative Of Other Problems?

- Franchisor Issues
- Franchisee Issues
- System/Relationship Issues

No Worries Cat Sitting

- Grew from 5 to 15 Locations in Two Years
- Goal: 100 Locations By End of 2018
- “Standards” Contained in Training Handouts
- “Enforcement” Done By President of Company and Spouse
- In Need of Staff, Standards and Enforcement Process



Why Don't Franchisors Enforce Standards?

- Too Expensive/Lack of Field Staff
- Fear of Losing Stores
- Joint Employer Concerns
- What if You Inspect And They Don't Comply?

Critical Contractual Tools

- Franchise Agreement
- Incorporate Operations Manual, As Amended
- Attorneys' Fees/Enforcement Costs Recoverable
- Training and Reinforcement

Successful Approaches to Enforcing Standards

- Counseling
- Shut Down Unit
- Deny New Products or Programs
- Self-Help

Successful Approaches to Enforcing Standards

- Involve Peers or Franchisee Advisory Council
- Sue to Require Compliance
- Terminate/Litigate
- Alternatives to Litigation

Successful Approaches to Enforcing Standards

- Create A Culture of Compliance

Lessons Learned (Hopefully)

- Create a Culture of Compliance
- One Size Does Not Fit All
- Be Consistent, But Flexible