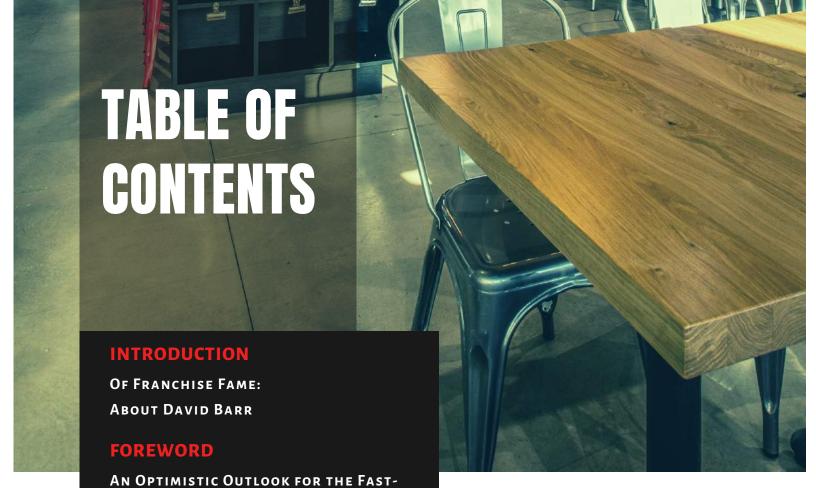


BY DAVID BARR, 2019 IFA CHAIRMAN



KEY₁

PIN DOWN THE PRODUCT'S

DEMAND AND DIFFERENTIATION

GROWING FRANCHISE INDUSTRY

KEY 2

DIVE INTO THE HARD DATA DRIVING THE INDUSTRY AND YOUR INVESTMENT

KEY₃

THINK CULTURE, NOT JUST CUISINE AND CAPITAL

CONCLUSION

JOINING THE RIGHT FRANCHISE BRAND



OF FRANCHISE FAME: ABOUT DAVID BARR

DAVID BARR IS A DYNAMIC THOUGHT LEADER AND STRATEGIC OPERATING EXECUTIVE WITH SIGNIFICANT EXPERIENCE IN ACCELERATING GROWTH AND TRANSFORMATION. OVER THE COURSE OF HIS IMPRESSIVE CAREER, HE HAS GARNERED SPECIFIC INDUSTRY EXPERIENCE IN FRANCHISING, RETAIL, RESTAURANTS, MULTI-UNIT OPERATIONS AND MERGERS AND ACQUISITIONS.

CURRENT CHAIRMAN OF THE INTERNATIONAL FRANCHISE
ASSOCIATION (IFA), DAVID ALSO SERVES ON THE BOARD OF
DIRECTORS FOR AN ARRAY OF PUBLIC AND PRIVATE COMPANIES,
BOTH DOMESTICALLY AND INTERNATIONALLY. HE WAS ELECTED TO
THE IFA BOARD OF DIRECTORS IN 2011, AND HE SERVES ON THE IFA
FINANCE COMMITTEE AND IFA FRANCHISEE FORUM.

WITHIN THESE MYRIAD LEADERSHIP ROLES, DAVID BRINGS WITH HIM SOLID EXPERTISE IN ALL AREAS OF FRANCHISING. HE HAS PLAYED AN INSTRUMENTAL ROLE IN DRIVING A MULTITUDE OF HIGH-POWERED RESTAURANT FRANCHISE BRANDS TO THE FOREFRONT OF THE INDUSTRY. WITH A BACKGROUND SITTING ON VARIOUS CORPORATE BOARDS, AS WELL AS INVESTING IN BRANDS AS A MULTI-UNIT OWNER AND OPERATOR, HE HAS UNIQUE INSIGHTS INTO BOTH SIDES OF THE FRANCHISEE/FRANCHISOR RELATIONSHIP.

DAVID CURRENTLY SITS ON THE BOARD OF CAPRIOTTI'S SANDWICH SHOP, THE SPICE & TEA EXCHANGE AND BISTRO GROUP, THE SECOND LARGEST FRANCHISEE OF TGI FRIDAY'S. HE ALSO SERVES AS CHAIRMAN OF PMTD RESTAURANTS AND AFFILIATES, OWNER AND OPERATOR OF 23 KFC AND TACO BELL RESTAURANTS.







AN OPTIMISTIC OUTLOOK FOR THE FAST-GROWING FRANCHISE INDUSTRY

WHEN YOU HAVE BEEN IN THE FRANCHISE INDUSTRY FOR NEARLY THREE DECADES, YOU EXPERIENCE ALL THE ECONOMIC EBBS AND FLOWS THAT INEVITABLY COME IN ANY SECTOR.

FRANCHISING HAS LONG OUTPERFORMED A SLEW OF OTHER INDUSTRIES — EVEN IN TOUGH ECONOMIC TIMES.
WHILE THE INDUSTRY IS CAPABLE OF WITHSTANDING A HARSH CLIMATE, NOT SURPRISINGLY, IT ALSO
FLOURISHES DURING STRONG ECONOMIC TIMES LIKE THESE.

FOR BOTH FRANCHISORS AND FRANCHISEES, THE CURRENT CLIMATE AND STATE OF THE FRANCHISE INDUSTRY ARE MORE THAN FAVORABLE.

CONSUMER SPENDING IS UP, AND EMERGING AND ESTABLISHED FRANCHISE BRANDS ALIKE ARE EXPERIENCING GREAT ACCEPTANCE OF THEIR GOODS AND SERVICES. THROUGH THEIR POINTS OF DIFFERENTIATION, FRANCHISORS CAN EASILY FIND PROSPECTIVE FRANCHISEES AND GROW THEIR BRAND.

AT THE SAME TIME, THE ROBUST ECONOMY ALSO MAKES FOR AN IDEAL INVESTMENT PERIOD FOR FRANCHISE CANDIDATES. A HEALTHY ECONOMY AND SOLID LENDING RATES MAKE IT EASIER TO RAISE THE NECESSARY CAPITAL AND MORE QUICKLY RECOUP AN INITIAL INVESTMENT. STRONG CONSUMER DEMAND ALSO ENSURES GREATER PROFITABILITY ONCE THE RESTAURANT IS UP AND RUNNING.

AS THE ECONOMY, FRANCHISE INDUSTRY AND FOODSERVICE SECTOR ARE ALL THRIVING, IT'S A GREAT TIME TO INVEST IN A RESTAURANT FRANCHISE. AS A PROSPECTIVE FRANCHISEE, YOU WILL WANT TO MAKE SURE YOU CAPITALIZE ON THE OPPORTUNITY AND INVEST IN THE RIGHT FRANCHISE BRAND.

RESEARCHING THE RIGHT FRANCHISE BRANDS AND OPPORTUNITIES, AND FOCUSING ON WHAT MAKES THEIR GOODS AND SERVICES UNIQUE CAN HELP YOU MAKE THE MOST OF YOUR VENTURE.

AFTER WORKING WITH DOZENS OF RESTAURANT BRANDS OVER THE YEARS, I HAVE TAKEN AWAY SOME KEY AREAS TO LOOK FOR, WHEN INVESTING IN A RESTAURANT FRANCHISE:



PIN DOWN THE PRODUCT'S DEMAND AND DIFFERENTIATION

WHEN IT COMES TO RESTAURANT FRANCHISE
INVESTMENT, TOO MANY FRANCHISE PROSPECTS FOCUS
FIRST ON THE NUMBERS – INITIAL INVESTMENT, MARKET
DEMAND, POTENTIAL RETURNS AND COUNTLESS OTHER
FACTS AND FIGURES.

THESE ARE ALL ESSENTIAL IN MAKING A SOUND BUSINESS INVESTMENT, BUT BEFORE DELVING INTO YOUR RESEARCH, MAKE SURE YOU HAVE A FIRSTHAND LOVE AND HAVE PASSION FOR THE PRODUCT.

WHY IS PASSION FOR THE PRODUCT SO IMPORTANT?

IN ORDER TO IDENTIFY A RESTAURANT BRAND'S POINT OF DIFFERENTIATION, YOU NEED TO DITCH THE ANALYTICAL LENS FOR A MINUTE – AND FOCUS INSTEAD ON WHAT YOU WILL BE OFFERING TO GUESTS AND WHY THEY WILL CHOOSE YOU OVER THE COMPETITION.

AFTER ALL, A RESTAURANT IS ONLY AS GOOD AS THE FOOD,
AND YOU WANT TO INVEST IN A CONCEPT WHOSE
PRODUCT YOU'LL BE PROUD TO SERVE.

NOT ONLY THAT, THE QUALITY OF YOUR PRODUCT, AND YOUR PASSION FOR IT, WILL ULTIMATELY DECIDE IF YOU BLEND IN WITH THE COMPETITION OR STAND ABOVE IT.



HOW DO I KNOW IF I AM PASSIONATE ABOUT THE PRODUCT?

REGARDLESS OF WHETHER YOU ARE ALREADY FAMILIAR WITH THE BRAND, YOU SHOULD DO SOME RESEARCH THROUGH FIRSTHAND EXPERIENCE, WHILE WORKING TO UNDERSTAND THE PRODUCT INSIDE AND OUT.

THAT USUALLY MEANS VISITING MULTIPLE EXISTING FRANCHISE LOCATIONS AND SAMPLING THE FULL LINEUP OF MENU ITEMS. IF THE EXISTING LOCATIONS YOU VISITED HAVE AN APPEALING ATMOSPHERE AND HIGH-QUALITY, DELICIOUS FOOD, IT'S A CONCEPT YOU SHOULD STRONGLY CONSIDER.

ASK YOURSELF IF YOU WOULD CHOOSE TO VISIT THE RESTAURANT AS A CONSUMER, AND IF YOU WOULD BE PASSIONATE AND PROUD TO SERVE THAT EXPERIENCE AND PRODUCT TO OTHERS.





FIND OUT WHAT THEY LOVE ABOUT THE FOOD

ASK THEM HOW THEY
FEEL ABOUT THE BRAND

EXPLORE WHAT BRINGS THEM BACK FOR MORE

BEYOND GETTING A FLAVOR FOR THE FOOD AND EXPERIENCE YOURSELF, YOU SHOULD ALSO TALK TO BRAND FANS AND OTHER RESTAURANT PATRONS.
BY GOING STRAIGHT TO THE SOURCE, YOU CAN UNDERSTAND HOW THEY FEEL ABOUT THE FOOD AND THE BRAND, AND WHY THEY FAVOR IT OVER OTHERS.

TALKING TO FRANCHISEES AND ASKING THESE SAME QUESTIONS WILL ALSO HELP BROADEN YOUR UNDERSTANDING OF THE BRAND — AT BOTH THE CONSUMER AND ENTREPRENEURIAL LEVEL.

FRANCHISEE VALIDATION SERVES AS ANOTHER DEPENDABLE BAROMETER OF THE BRAND AND PRODUCT'S POINTS OF STRENGTH AND DIFFERENTIATION.



DIVE INTO THE HARD DATA DRIVING THE INDUSTRY AND YOUR INVESTMENT

AFTER A POSITIVE FIRSTHAND EXPERIENCE WITH THE PRODUCT, NOW IS THE TIME TO DELVE FURTHER INTO YOUR RESEARCH ABOUT BROADER INDUSTRY DEMAND.

HOW DO FOOD SERVICE CONCEPTS
STACK UP IN THE FRANCHISE INDUSTRY?

THERE IS A REASON FOOD CONCEPTS ACCOUNT FOR NEARLY HALF OF THE ENTIRE FRANCHISE INDUSTRY'S ANNUAL FINANCIAL OUTPUT – PEOPLE HAVE TO EAT.[1]

CONSUMER DEMAND FOR DINE-OUT DESTINATIONS IS UNDENIABLY HEALTHY — AND GROWING. SO, IT COMES AS NO SURPRISE THAT THOUSANDS OF RESTAURANT FRANCHISES HAVE BEEN CROPPING UP TO ACCOMMODATE THAT UNIVERSAL DEMAND.

In fact, food concepts now make up more than onethird of the 745,000 franchises in the United States.

[1] HTTPS://WWW.DESIGNBUSINESSENGINEERING.COM/QUICK-SERVICE-RESTAURANT-FRANCHISING-CHANGES-IN-DYNAMICS/



HOW DO I KNOW THIS FRANCHISE IS A SOUND INVESTMENT?

THE INDUSTRY-WIDE DEMAND AND GROWTH NUMBERS ARE THERE,
AND YOU HAVE AN EXPANSIVE LANDSCAPE OF CONCEPTS FROM WHICH
TO CHOOSE. HOW DO YOU KNOW IF THE SPECIFIC FRANCHISE YOU ARE
CONSIDERING IS A SOUND INVESTMENT?

In addition to your own outside research, interviews with the franchisor and management team can give you unparalleled insights into the specific opportunity. Some franchisees may be apprehensive to approach the franchisor for these insights since a franchisor's perspective is understandably not always objective.

However, the right franchisor will level with you, be transparent about the opportunity and provide clear, concise answers to any questions you send their way. Since they have access to more knowledge and visibility into their own brand than anyone else, the franchisor is a great resource to leverage.

WHAT TYPES OF QUESTIONS SHOULD I ASK THE CORPORATE TEAM?

When interviewing the corporate team, be sure to ask both about franchise specifics and industry abstracts. This will help you learn more details about your particular potential investment, while also gauging whether or not the franchisor has a pulse on the industry.

If a franchisor is up-to-date on industry trends – and understands their brand's place within the industry – it shows they are agile, dedicated to innovation and ready to remain competitive in an evolving landscape. These will be key drivers for growth within the brand.

HERE ARE SOME EXAMPLES OF THE TYPES OF QUESTIONS YOU CAN ASK TO DETERMINE IF IT'S A STRONG SHORT AND LONG-TERM INVESTMENT:

FRANCHISE SPECIFICS

- HOW IS YOUR BUSINESS MODEL UNIQUE AND ADVANTAGEOUS?
 - WHAT IS YOUR P&L MARGIN?

- WHAT ARE AVERAGE UNIT-LEVEL SALES FOR YOUR FRANCHISE?
- HOW DO YOU ENSURE STRONG MARGINS FOR FRANCHISEES?

INDUSTRY ABSTRACTS

WHAT IS YOUR POINT OF DIFFERENTIATION?

HOW DO YOU CAPITALIZE ON THIS?

HOW DOES IT TRANSLATE TO CONSUMERS?

WHY IS THE INDUSTRY RIPE FOR INVESTMENT?

WHAT ARE SOME OF THE BIGGEST CURRENT INDUSTRY TRENDS, AND HOW DO YOU SEE THESE IMPACTING YOUR BRAND?

WHAT DOES THE DEMAND FOR YOUR CORE PRODUCT LOOK LIKE THIS YEAR?

WHAT DO YOU ANTICIPATE DEMAND WILL LOOK LIKE IN UPCOMING YEARS?

HOW DOES THIS COMPARE TO THE COMPETITION?

By asking broader industry-related and franchise-specific questions, you can get a feel for your long-term revenue and growth potential, in addition to financial insights into your initial investment.





THINK CULTURE, NOT JUST CUISINE AND CAPITAL

As a franchisee, one of the areas beyond product and service you should also research is how well you align with the franchisor's values. This can be as central to your success as unit-level economics.

JUST AS YOU ASK STRATEGIC QUESTIONS TO DISCERN
THE SUCCESS OF THE BUSINESS MODEL, THE
PROFITABILITY OF THE PRODUCT AND OVERALL
VIABILITY OF THE INDUSTRY, YOU NEED TO ASK SIMILAR
QUESTIONS TO DETERMINE IF THE FRANCHISOR ALIGNS
WITH YOUR VALUES.

DETERMINING IF YOUR CORE VALUES ALIGN WITH THE FRANCHISOR'S MAY BE MORE DIFFICULT TO PINPOINT THAN THE FINANCIALS, BUT IT'S ESSENTIAL.

YOU ARE INVESTING IN A BUSINESS AS MUCH AS A LIFESTYLE CHANGE FOR YOURSELF, SO YOU WANT TO MAKE SURE YOUR EXPERIENCE AS A BUSINESS OWNER IS A POSITIVE ONE — WITH A SUPPORTIVE FRANCHISOR WHO'S ON THE SAME PAGE AS YOU.



WHERE DO I START WHEN ASSESSING THE CULTURE?

MAKE SURE YOU STAY DELIBERATE DURING THE VALIDATION PROCESS AND INTERVIEWS WITH THE MANAGEMENT TEAM, AND ASK THE RIGHT QUESTIONS TO SEE IF YOUR GOALS ALIGN WITH THOSE OF THE FRANCHISOR.

WHEN INITIALLY ASSESSING COMPANY CULTURE AND BRAND VALUES, YOU WILL WANT TO ASK OUESTIONS LIKE:

WHAT ARE THE BUSINESS' GOALS?

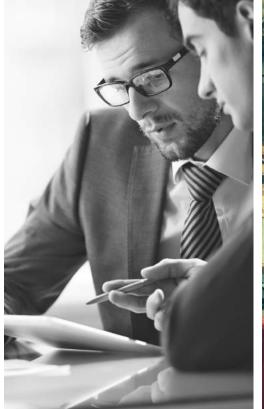
IS THERE TRANSPARENCY WITH RESPECT TO COMMUNICATION?

ARE DECISIONS MADE BASED ON DATA AND RESEARCH?

HOW EXPERIENCED IS THE MANAGEMENT TEAM, AND HOW DOES THAT FIT WITH THE EXPERIENCE OF THE FRANCHISEES?



DIVING DEEPER INTO THE CULTURE AND FRANCHISEE/FRANCHISOR RELATIONSHIP, YOU'LL WANT TO ASK QUESTIONS THAT SIGNAL THAT THE FRANCHISOR VIEWS THE RELATIONSHIP AS A PARTNERSHIP—BUILT ON MUTUAL RESPECT AND SUCCESS.





FRANCHISING IS BASED UPON TWO-WAY
ACCOUNTABILITY BETWEEN FRANCHISORS AND
FRANCHISEES, AND IT IS CRUCIAL TO INVEST IN A
BRAND WITH A FRANCHISOR WHO UNDERSTANDS
THE NUANCES, IMPORTANCE AND VALUE OF THIS
RELATIONSHIP.

FRANCHISORS ARE RESPONSIBLE FOR DEVELOPING AND PERFECTING A REPLICABLE, SCALABLE BUSINESS MODEL — THAT IS WHY YOU INVEST WITH THEM. FROM TRAINING AND OPERATIONS TO MARKETING AND BUSINESS MANAGEMENT, THE FRANCHISOR IS ACCOUNTABLE FOR PROVIDING YOU WITH A COMPREHENSIVE FRAMEWORK FOR SUCCESS.

THEIR RESPONSIBILITIES ARE NOT OVER WHEN THEY GIVE YOU THE KEYS TO A TRIED-AND-TRUE BUSINESS MODEL, HOWEVER. THEY SHOULD OFFER ONGOING SUPPORT WHILE SPEARHEADING HIGH-LEVEL INITIATIVES THAT GROW THE BRAND, FOSTER GREATER RECOGNITION AND CATALYZE SYSTEM-WIDE SUCCESS.

FRANCHISORS SHOULD BE HELD ACCOUNTABLE TO:

GROW THE BRAND

CREATE UNIQUE BUSINESS PROPOSITIONS

VET AND RECRUIT STRONG FRANCHISE CANDIDATES

SUPPORT EXISTING FRANCHISEES

EXPAND AND SCALE THE SYSTEM

EVOLVE BRAND OPERATIONS AND OTHER AREAS

WHAT IS MY ROLE AS A FRANCHISEE?

As a franchisee, you are held accountable for execution at the unit level. Your success is the franchisor's success, and operating a strong restaurant franchise also reflects on the entire brand as a whole.

IN ADDITION TO FOLLOWING THE BUSINESS MODEL AND UPHOLDING HIGH BRAND STANDARDS, YOU ARE ALSO RESPONSIBLE FOR DELIVERING ON THE BRAND PROMISE — NOT CHANGING IT. IN OTHER WORDS, GUESTS SHOULD BE ABLE TO EXPECT THE SAME HIGH QUALITY AND SERVICE AT EVERY FRANCHISE THAT BEARS THE BRAND NAME.

MUCH OF THAT COMES DOWN TO YOUR PASSION FOR THE PRODUCT AND CONCEPT, AS WELL AS YOUR UNDERSTANDING AND ALIGNMENT WITH THE CORE BRAND VALUES. WHEN EVERY FRANCHISEE IS VALUE-ALIGNED AND MISSION-DRIVEN, THEY STRENGTHEN THE BRAND IDENTITY AND STAY COMMITTED TO PROVIDING ONLY THE BEST FOR GUESTS.





WHY IS THE FRANCHISEE / FRANCHISOR RELATIONSHIP SO IMPORTANT?

A STRONG FRANCHISEE/FRANCHISOR RELATIONSHIP IS CRUCIAL TO THE SUCCESS OF YOUR INDIVIDUAL FRANCHISE, AS WELL AS THE SUCCESS OF THE BRAND. THIS RELATIONSHIP HELPS KEEP EVERYONE ACCOUNTABLE AND THE BRAND ON TRACK FOR GROWTH.

WHEN THERE ARE MUTUAL RESPECT AND OPEN COMMUNICATION BETWEEN YOU AND A FRANCHISOR, YOU ARE BOTH ABLE TO UNDERSTAND WHERE YOU ARE, AND HOW YOU CAN GROW — BOTH FOR YOUR UNIT-LEVEL BUSINESS AND THE BRAND AS A WHOLE.

YOU ARE BOTH WORKING TOWARD THE SAME GOAL. YOU ALSO BOTH HAVE ACCESS TO DIFFERENT INSIGHTS AND BRING UNIQUE THINGS TO THE TABLE. AS A FRANCHISEE, YOU WILL BE THE CLOSEST TO THE CONSUMER, PROVIDING THE FRANCHISOR WITH IMPORTANT EXPERIENCE-DRIVEN IDEAS AND OBSERVATIONS.

FRANCHISORS OFTEN HAVE MORE DATA-BASED INSIGHTS, SO WHEN BOTH SIDES ARE COMMUNICATING EFFECTIVELY, YOU CAN WORK TOGETHER TO IMPROVE THE PRODUCT AND ENTIRE EXPERIENCE ON A BRAND-WIDE OR UNIT LEVEL.

JOIN THE RIGHT FRANCHISE BRAND

THE FRANCHISE INDUSTRY IS STRONG AND GROWING, ESPECIALLY WHEN IT COMES TO THE RESTAURANT SECTOR.

OUTPACING OVERALL U.S. ECONOMIC GROWTH, THE FRANCHISE INDUSTRY FUNNELED MORE THAN \$451 BILLION INTO THE NATION'S ECONOMY - COMPRISING A REMARKABLE SIX PERCENT OF TOTAL GDP. [1]

EXPERTS PREDICT AN IMPRESSIVE 2.6 PERCENT SPIKE IN THE NUMBER OF FRANCHISES THIS YEAR, WITH FOOD FRANCHISES EATING UP A SUBSTANTIAL PORTION OF THAT GROWTH. [2]

IN SUCH A STABLE AND SECURE CLIMATE, YOU CAN AFFORD TO BE SELECTIVE WHEN VETTING RESTAURANT FRANCHISE OPPORTUNITIES.

IT GOES WITHOUT SAYING THAT YOUR FRANCHISE SHOULD BE A
PROFITABLE INVESTMENT AND BUSINESS OPPORTUNITY. BUT, EVEN
BEYOND THAT, IT SHOULD ALSO BE BACKED BY A FRANCHISOR WHOSE
CULTURE ALIGNS WITH YOUR PERSONAL AND ENTREPRENEURIAL GOALS.

THE RIGHT FRANCHISOR WILL UNDERSTAND THE IMPORTANCE OF YOUR PARTNERSHIP, AS WELL AS SUPPORT YOUR SHORT AND LONG-TERM GOALS FOR GROWTH AND PROSPERITY.

WITH A GENUINE PASSION FOR YOUR PRODUCT, UNIQUE DIFFERENTIATORS AND STRONG FRANCHISOR SUPPORT, YOU HAVE ALL THE INGREDIENTS FOR SUCCESS IN THE FAST-GROWING FOOD AND BEVERAGE SEGMENT.

[1] HTTPS://WWW.FRANCHISE.COM/BLOG/TOP-3-FRANCHISE-INDUSTRIES/ [2] HTTPS://WWW.FRANCHISEGATOR.COM/ARTICLES/GROWTH-EXPECTED-IN-2019-12744/





TO LEARN MORE ABOUT OUR INVESTMENT OPPORTUNITY AND EXCEPTIONAL CULTURE, CONTACT US AT 702-374-4746 OR FRANCHISING@CAPRIOTTIS.COM.