

Thoughts When a Franchisee Decides to Own Their Own Concept

By Dennis Monroe

One growth strategy deployed in the franchise world is when multi-unit operators acquire their own concepts and sometimes become franchisors. There are numerous examples, but relatively few successful ones. Being a franchisee is a different business than owning a concept, or being a franchisor. It doesn't mean you can't do both, in fact there are a number that do. For this article, I interviewed large multi-unit operators that have either gone into owning their own concepts, being a franchisor or both. Let's start with a quote from Greg Flynn, who, as we all know, is the largest multi-unit franchisee in the world:

"My observation is that it is a different skill set to be a franchise operator versus an owner of the brand," he told me. "And there are many instances of franchise operators who thought that their success was entirely or mostly about them and the result of their qualities, as opposed to being part of a successful system. That has rarely ended well, and frequently ended catastrophically."

Keeping Greg's comment in mind, let's hear what three prominent multi-unit operators say about their concept ownership. First, I spoke to Steve Rosenfield, a franchisee of numerous concepts in QSR and casual dining. Steve sold his franchisee businesses and has since focused on Barrio Queen, a casual Mexican concept that will soon give rise to a fast casual concept called Barrio Queen Chica.

I asked Steve how he, along with his partner and spouse, Linda Nash, have been successful in developing a concept when they had spent so many years as franchisees. What happens as a franchisee, he replied, is that you get a playbook. Parts of it is good but other parts need to be adjusted. So he takes a page from concepts he has been a part of, makes adjustments and applies his playbook to the concepts.

In some ways, Steve has achieved success because he learned the problems with franchising. One is that franchisees tend to listen to their franchisors and not the customer. He said he is a customer-facing restaurateur, not a technician; and yet, the franchise world so often favors technicians. Listen to the customer, he said, and if you do, you will always succeed.

Next, I interviewed Sunil Dharod, a large Applebee's franchisee who has acquired a number of concepts, most notably Roy's, a high-end casual seafood concept. The most important insight is to look at the acquired concept store-by-

store. Each store needs to have a separate strategic plan, so do not assume you can uniformly change the whole system. Being a franchisee, he said, is sometimes tough if you are entrepreneurial but, as part of a franchise system, you can't control your own destiny. Owning a concept eliminates that frustration. That's why sometimes franchisees make good concept owners: They have felt that frustration and now can freely bring to their own concept what they learned while operating within the restrictions of a franchise system.

Anand Gala, my last interviewee, has been a successful franchisee in QSR, and casual dining and is still a Famous Dave franchisee. Anand started an investment fund to invest and own concepts, particularly franchisors.

He made it clear that concept ownership takes different business skills. It takes people who want to grow and evolve a concept, whereas good franchisees are executors. He again emphasized the idea of a "playbook," saying that just as a good franchisor sells a good playbook, so a good concept owner needs to build their own playbook.

He added that anyone considering whether to be a franchisee or own a concept needs to have a clear awareness of their strengths and weaknesses, and bring in good people to offset the weaknesses.

In summary, four main recommendations emerge from my conversations on how a franchisee may become a successful concept or franchisor owner.

1. Learn to listen to the customer.
2. Develop a long-term vision for the concept. Apply the skills you have acquired as a franchisee, but keep the vision at the center, which is something you can't do as a franchisee.
3. Learn from all of the good and bad of being a franchisee and look at the good as individual pages of your playbook.
4. Make sure that you are constantly reevaluating the concept and its viability. Each store is unique and needs to be approached that way.

While it's not easy to go from franchisee to concept owner, it's possible and sometimes, as my interviews show, can be a real success.

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