

What Franchisors Did During the Pandemic and What They Can Still Do Now

By Dennis Monroe

This issue of the Monitor features the top 200 franchisees, proving once again the scope and importance of franchising in restaurants. There were winners and losers from the pandemic, but there is one constant: most franchisors tried to take advantage of the resulting dining shifts by providing new ideas, and if needed, help to franchisees.

I'd like to report on a survey (very unscientific) I took of what franchisors had done throughout Covid. It involved some research, as well as speaking with Dan Rowe, the founder of Fransmart, and Beth Ewen, senior editor at Franchise Times. I'll then follow up with some specific thoughts regarding what is being done as we pull out of the pandemic.

Rowe is a franchise specialist, and his observations are based on the dozen brands his company, Fransmart, has been involved with. Here's what he said: "Most of our franchisors kept the fees and marketing intact and then would double up the local store marketing money for franchisees. In certain markets where they were pushing more marketing, they would double from the national fund. From time to time franchisees in urban markets or food halls that were completely shut down got abatement agreements, none of the franchisors went after liquidated damages, etc."

It was tough. In some cases, Rowe said the franchisors kept the fees in place, and when franchisees didn't pay, it caused a stressful relationship. "But it all worked out," he said.

As a board member of the National Restaurant Association, Rowe had this same conversation almost daily with franchisors of all sizes, and many larger franchisors suspended/abated royalties. "Most of their brands are emerging, early-stage brands, and while they really need the money, too, many abated, fractioned and suspended royalties," he said.

Ewen informed me of two unique circumstances. One was a franchisor who decided to help fund the initial legal research and then hired a law firm to pursue a Covid claim under business interruption insurance. The litigation is still ongoing. Another franchisor, she said, developed techniques for securing and encouraging vaccinations for employees of their franchisees.

We found other things franchisors did to assist franchisees.

Of course, royalty abatements were at the top of list, but we found some royalty rebates. The Yum system launched a global medical relief fund to provide financial support for restaurant employees and franchisee-owned stores.

One major way franchisors came to the aid of franchisees was to develop alternative means of operations. Some examples were more effective delivery models, such as grab-n-go systems, and in effect, converting from a casual dining format to fast casual. Buffet concepts found it difficult to make changes, but they did attempt table service and certainly made some substantial changes in food handling. There was a proliferation of takeout windows and other methods to provide contactless delivery. Fine dining found it particularly difficult to change their delivery methods because much of their food didn't travel well, so operators looked at other options. Ghost kitchens were one of the ways fine dining tried to make it through the pandemic.

Several franchisors asked me to hold webinars and telephone conferences with franchisees about applying for PPP funds, the Employee Retention Tax Credit or the Restaurant Relief Fund. Many franchisors sponsored helped the franchisees in the application process.

Rowe pointed out that while franchisors typically don't like to adjust advertising funds, a number of them contributed extra money to keep the consumer aware of what the restaurants were doing and to ensure their brand stayed top of mind.

Here are some ideas that need to be carried forward:

1. Franchisors should double down on advertising to ensure customers understand how important they are and receive special treatment as a way of thanking them for their loyalty during the pandemic.
2. Franchisors need to continue to maintain delivery systems and products that helped them during the pandemic, and continually improve those aspects of food on demand. They must look at the need for takeout and delivery, not just because of Covid issues, but as a shift in consumers' lifestyle.
3. Continue innovation of products and new ones that will fit post-pandemic. Find new ways of meeting consumer needs. Be innovative, so in the wake of the pandemic people feel like they are coming back to a new and improved place.

4. Don't take your customers for granted. While customers are flocking back to restaurants right now, there is always going to be a lingering effect of what we've faced the last two years. Those factors need to always be considered in development of new concepts, modification of existing concepts and in general. Franchisors will have to take into account specific local and regional conditions, because different areas of the country are affected differently by the economic issues in the aftermath of the pandemic.

5. Focus on state-of-the-art technology. This may be one of the most important things a franchisor can do. Rely on technology in all aspects of the restaurant, from servicing the customer to securing employees, to providing for more fairness in compensation by the use of service charges. Use staffing schedules as well as programs to control food costs and, of course, to run your delivery and takeout.

The success you'll see documented in the Monitor 200 this month had a lot to do with the franchisors' willingness to really be partners during the pandemic. But it's also owing to the franchisees' ability to get up every day and roll that boulder up the hill.

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