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TOP 40 SPECIAL REPORT
FOOD FRANCHISES

Franchisee Satisfaction Study

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October 2012

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Top Food Franchise Brands Outpace Competition

While the majority of franchisors struggle to maintain market share, the top performing brands are growing by double-digits, enhanced by high franchisee satisfaction and performance.

BY MOLLY ROWE

Say the word "franchise" and people almost immediately think food. "Food" is synonymous with franchising, and the food sector is one of the most popular industries for people to consider when they're thinking of investing in a franchise.

Despite the industry's popularity, a business in the food sector is not always a slam dunk. Franchisees must overcome relentless competition, fickle consumer preferences, fluctuating costs, and considerable pressure. But for the right person who finds the right franchise brand, the food business can offer an exciting, rewarding, and profitable opportunity.

This report takes a close look at the many opportunities within the food franchising sector based on our franchisee satisfaction research and interviews with franchisors and franchisees at some of the top brands in food. We will explore the different concepts and the top brands based on franchisee satisfaction, as well as discuss the outlook for food in 2013 and what it takes for a franchisee to be successful.

We surveyed nearly 4,000 food franchisees, representing 84 brands and 22,516 franchised businesses.

Franchise Business Review's Top 40 Food Franchises	
Firehouse Subs	Biggby Coffee
Culver's	The HoneyBaked Ham Co. & Café
Auntie Anne's	McAlister's Deli
Ground Round	Straw Hat Pizza
East Coast Wings & Grill	Genghis Grill
Simple Simon's Pizza	Donatos Pizza
Hardee's	Nothing Bundt Cakes
Bruegger's	Hungry Howie's Pizza & Subs
Papa Murphy's	HuHot Mongolian Grill
Penn Station	VooDoo BBQ & Grill
Yogurtland	MOOYAH
Marco's Pizza	Einstein Noah - Manhattan Bagel
Checkers & Rally's	Doc Popcorn
Charley's Grilled Subs	PJ's Coffee
Jack in the Box	Hurricane Grill & Wings
Repicci's Italian Ice	Which Wich
Happy and Healthy Products	WOW Cafe & Wingery
Zoup!	Cheeburger Cheeburger
Jamba Juice	Quaker Steak & Lube
Great Wraps	The Flame Broiler

Who We Are

Franchise Business Review is a national market research firm that performs independent research of franchisee satisfaction. Our products include franchisee satisfaction research, executive performance groups, economic impact studies, and sector reports. The data for this report was compiled as part of our food franchise study, which recognizes the top brands based on overall franchisee satisfaction.

To compile the data for this report, we surveyed nearly 4,000 franchisees from the food sector, representing 84 brands and 22,516 franchised businesses. We also talked to franchisees and senior executives at several brands for their first-hand perspective of the food industry.

When we research a franchise company, we contact every franchisee via phone or email and invite them to take part in our independent survey. We average well over 50% participation, and in many cases, survey participation will be as high as 70, 80, or even 90%. Franchisees answer 37 benchmark questions ranking their franchise system in the areas of financial opportunity, training and support, leadership, operations and product development, core values (e.g., honesty and integrity of franchisor), general satisfaction, and the franchisee community. An additional 16 questions ask franchisees about their market area, demographics, business lifestyle, overall enjoyment running their franchise, and role in the franchisee community. From this data, we identified our list of food franchises with above average satisfaction.

Franchise Business Review does not charge a fee for our base survey or awards. Any franchise company with at least 10 operating franchisees can participate in our research at no cost, and the companies listed in our reports are based solely on franchisee satisfaction ratings.

Cover photos clockwise from top left courtesy of: MOOYAH, Quaker Steak and Lube, Marco's Pizza, and Culver's.

Dharmesh Patel
Marco's Pizza Franchisee

How long have you been a Marco's Pizza franchisee?
A little over 2 years

Why did you decide to buy a franchise?
People tell me that I am an entrepreneur and businessman by nature. I have worked for big corporations for about 20+ years. It was time to follow the dream.

Why did you choose your franchise?
It is one of the best products, a great and growing brand, and because of the outstanding leadership and support from the franchise.

What is the best part of being your own boss?
Controlling your own destiny! I love to develop people. "Build your team and you build your business..."

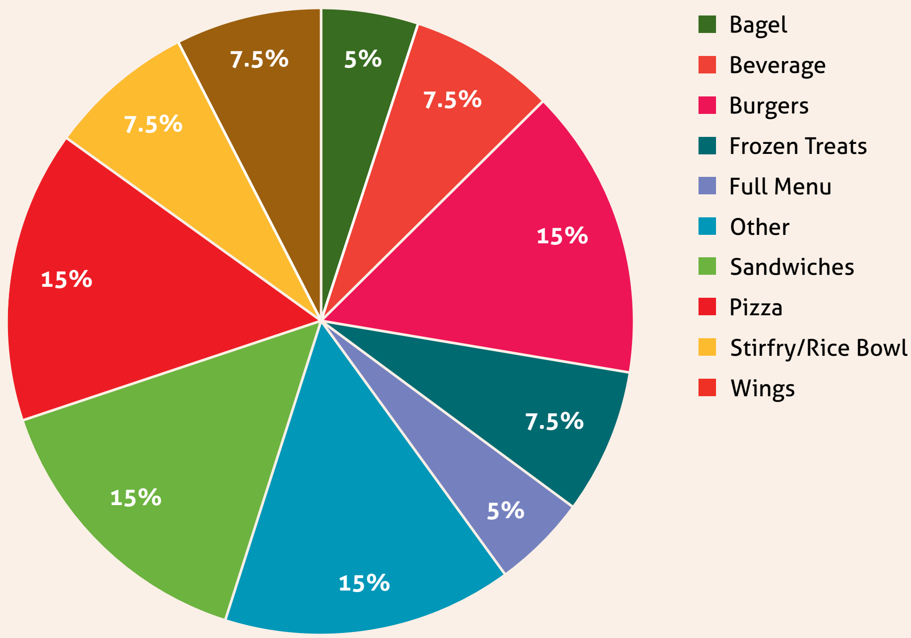
What is the worst part of being your own boss?
"Great power comes with great responsibility..." You are responsible for many people so you are always oscillating between work and family.

Where do you see yourself in five years?
I have a goal set to develop 20 locations and have a successful future for each of them.

What advice do you have for prospective franchise buyers?
You can dream all you want; the only way to make it happen is take action. Take action now! It is the journey that brings the joy (and sorrow!!!). The destiny does not come to you. You go toward your destiny.

For more information on Marco's Pizza, call Lauren Johnson at (419) 724-1867 or visit marcosfranchising.com.

Top 40 by Food Category



Models/Concepts

As in past years, franchise concepts offering quick, inexpensive foods dominate our list (probably because these concepts have fared better economically, which can have a big effect on franchisee satisfaction). In terms of specific food types, we see a little bit of everything—pizza (e.g., **Papa Murphy's**), wings (e.g., **East Coast Wings & Grill**), yogurt (e.g., **Yogurtland**), burgers (e.g., **MOOYAH**), bagels (e.g., **Einstein Noah**), and sandwiches (e.g., **Charley's Grilled Subs**)—which is a change from 2011 when 25% of the companies on our list were pizza concepts. Pizza remains popular, but we've also seen the re-emergence of subs and sandwiches. While **Subway** remains the biggest franchisor in the space, brands like **Firehouse Subs** have emerged as major players with the highest franchisee satisfaction in the sector. (Founded in 1994, Firehouse has 515 locations with 79 added in 2011 alone. The company has the goal of expanding to 2,000 sites by 2020.)

We also see the continued growth of the burger market. Brands like MOOYAH enjoy continued popularity for both consumers and potential franchisees. And more traditional "fast food" brands like **Jack in the Box** and **Carl's Jr.** have followed the "better burger" trend by offering quick-made burgers using Angus beef and all-natural ingredients.

"Healthy concepts"—those featuring healthier fast casual alternatives—continue to grow in popularity. Our list includes three stir-fry/grill concepts—**Genghis Grill**, **HuHot Mongolian Grill**, and **The Flame Broiler**—which offer Asian-style rice bowls. Even the more traditional "burger, shake, and fry" concepts have greatly expanded their menus to offer healthy options.

"We're really known for wings and they're not that healthy, so we've added other things to sway the veto vote," said Steven Falciani, senior vice president of franchise operations for Quaker Steak and Lube. "If someone in the family doesn't like wings but everyone else does, there's something for everyone."

The franchise concepts within the food sector typically fall into one of several major categories (quick serve restaurants [QSR—i.e., fast food], fast casual [a variation of QSR that includes higher end, counter-service establishments], retail stores, mobile [based in a kiosk or mobile cart, for example], delivery only, and full-service restaurants), but some franchisors offer multiple business models, which may be further broken down

Typical Investment Ranges for Food Franchise Locations

Kiosk / Mobile / Non-Traditional Locations	$30,000 – $250,000+
Conversions of Existing Locations	$100,000 – $400,000+
Retail / In-Line Strip Center Locations	$175,000 – $500,000+
Stand-alone / New Construction Locations	$750,000 – $2,000,000+

**These are broad estimates of initial capital investments, and each franchise brand will have specific liquid capital and net worth requirements.*

The investment range of the top 40 food franchises on our list is $30,000 to $4 million, with the median initial investment of the top 40 being $386,500.

by food type. Because many of the models fit into a number of categories (a coffee shop that serves breakfast sandwiches, for example), the concept lines are often blurred.

Investment

The food services sector offers a wide range of investment options for prospective franchisees. Some concepts require less than $100,000 to get started, while others cost a million dollars or more. The investment range of the top 40 food franchises on our list is $30,000 to $4 million, with the median initial investment of the top 40 being $386,500. (Note that this is the *total* initial investment, but with financing and lease options, the typical upfront cash requirements tend to be 20% to 40% of that total investment.)

The size of the initial investment typically depends on the real estate and equipment needed to run the business. Businesses that are delivery-based and do not require a large physical footprint are obviously less expensive (less than $200,000). One company on our list—**Happy Healthy Products**—offers franchisees a home-based business opportunity with an initial investment of about $30,000. A quick-serve brand based in a retail strip center can cost less than $500,000 initially, depending on the real estate and overhead requirements. A full-service restaurant, which requires a large, stand-alone site (and more employees and overhead for day-to-day operation), typically costs more than a million dollars to get started.

Even within brands, you may see an array of investment options. **Simple Simon's Pizza** offers a lower cost delivery-only opportunity that involves less real estate for $89,000 or franchisees can opt for a higher cost model that includes eat-in service for about $600,000.

Some of the biggest franchisors in the sector offer the option of traditional stand-alone locations as well as kiosk, retail store, strip-center, and other non-traditional locations. A **Dunkin Donuts** franchisee might be able to open a small, grocery-store-based unit for around $150,000, while a full-size traditional store runs over a million dollars. Subway offers a number of non-traditional location types, including airports, gas stations, military bases, casinos, and even churches, which may make ownership more affordable.

The time investment for a food service franchisee varies as much as the monetary investment, depending on the size and capacity of the franchise concept, the number of locations, and how long the franchisee has been in business. Obviously, the more employees a business has, the more management is required on the part of the franchisee. Distributor-type concepts can sometimes be run on a part-time basis, and some of the snack/pizza/ice cream concepts offer more flexibility. Full-service and breakfast-to-dinner QSR concepts, on the other hand, require considerable night and weekend involvement. Even franchisees with onsite managers to handle day-to-

James Novak
Charley's Grilled Subs Franchisee

How long have you been a franchisee?
I first met with Charley and his team in February 1999. I opened my first location in July 2001. I took my time to research franchising as I owned my own restaurants for 30 years before. I wanted to make sure franchising was for me and Charley's was the one I wanted.

Why did you choose your franchise?
First, I wanted a company that had a great product that people would continue to support for years to come. I wanted a young company that I could grow with that would know me as Jim—not just a number like McDonald's, Subway, etc. These companies have gotten so big they don't really know their operators anymore. I am not a number with Charley's. We know all our operators and we are able to call anyone at the office 24/7.

What is the best part of being your own boss?
I make my own schedule. I work a lot of hours but I make them. The harder I work, the more money I make.

What is the worst part of being your own boss?
I don't have a worst part; I enjoy what I do. I enjoy working with and talking to people—that's why I am in the restaurant business.

Where do you see yourself in five years?
Still growing with Charley's. I have plans for my fifth location right now.

What advice do you have for prospective franchise buyers?
Don't expect it to be easy. Work it, and it will reward you. You must be part of the everyday operations—it's your store. Charley's gives you the tools to be a success in training, marketing , etc., but you must use them.

For more information on Charley's Grilled Subs, call Rich Page at (614) 260-6085 or visit www.charleys.com.

day operations must invest a lot of time promoting and marketing their businesses.

Firehouse Subs franchisee Elliott Goldsmith says his day-to-day routine has changed considerably since first becoming a franchisee ten years ago.

"Ten years ago, I was unlocking the door, slicing the meat, making the sandwiches. I was just trying to make sure we opened and closed the doors every day," Goldsmith said. "Now, 10 years later, it's a little different. I spend a lot more time working on my business. I'm more focused on the financials and operational management of all my units and much less on actually making the sandwiches."

Goldsmith is about to open his seventh Firehouse Subs franchise, which will complete the multi-unit requirement of his agreement. Multi-unit ownership is a common requirement by franchisors because it is easier from a development standpoint to work with an owner who is going to operate several locations. Running multiple locations obviously involves different skills and more money than a single unit, so this is an important consideration for prospective franchisees.

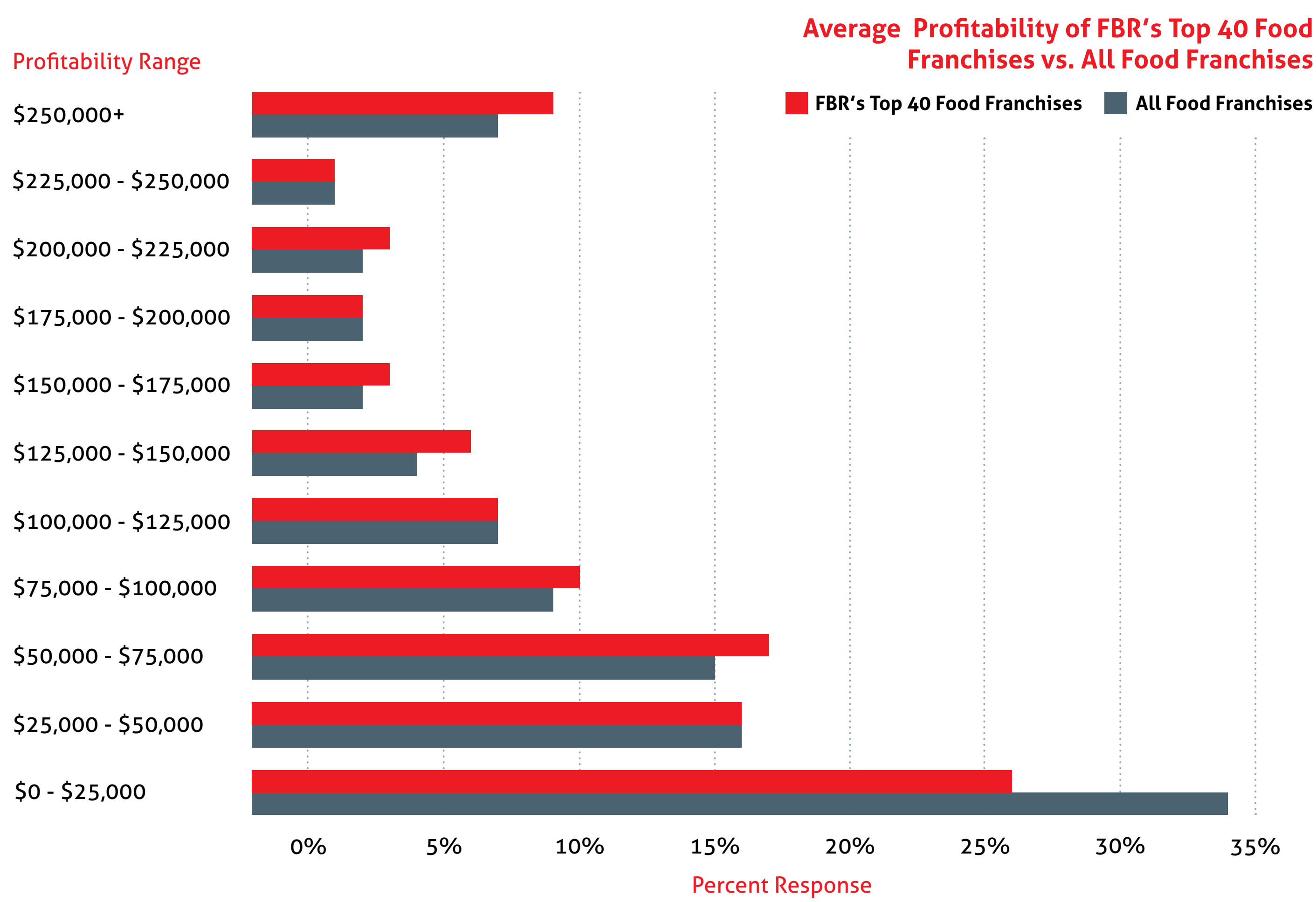
"We actually get franchisees coming to us because we will do a single unit," said Phil Keiser, president and COO of **Culver's**. "They don't need the same kind of balance sheet that they would with a 10-restaurant agreement."

Profitability

As in all of franchising, many franchisors in the food space are taking a close look at their costs and looking for ways to reduce them in order to improve franchisee profitability. This change is reflected in our latest data, which shows franchisees' average profitability (defined as any income, salary, or profit the owner takes out of the business) up 5.8% year-over-year ($82,033 in 2012 vs. $77,511 in 2011) based on 3,359 survey responses in the last 12 months. (Average profitability for franchisees from ALL sectors is up 3.2% year-over-year [$70,827 in 2012 vs. $68,594 in 2011] based on 16,995 franchisee survey responses in the last 12 months.)

Profitability among our Top 40 Food Franchisees looks even better. Average profitability for franchisees on our Top 40 list is $94,359—15% higher than the rest of the food franchise sector. Our Top 40 companies offer 15% higher annual profitability compared to other food brands, and 33.2% higher annual profitability compared to ALL franchises. (Note that these numbers average together everyone, including multi-unit owners, so it does not reflect average UNIT revenue/profit, just the individual's annual income.)

Although these numbers look and sound good, it's important to note that the majority



Profitability data listed above is based on independent surveys completed with 3,359 food industry franchisees in the previous 12 months. This sample included data from 84 franchise brands, representing 22,516 operating units. Profitability is defined as any annual pre-tax income the franchisee received including salary and/or business profits.

of food franchise operators we surveyed (51.5%) earned less than $50K last year, and 34% earned less than $25K or lost money. Average financials can be misleading, as these figures lump together single-unit franchisees with multi-unit franchisees, as well as new units (usually not profitable for the first 12 -24 months of operation) with older, highly profitable units. The average food franchise investment is also three times the initial investment for a non-food franchise, so one would expect higher annual income/profit.

Pros

Ask a franchisor or a franchisee to talk about the pros of the food sector, and you'll undoubtedly hear "exciting, people-filled, and food-loving." It's an industry that offers franchisees and their customers immediate gratification. At the same time, it's ever-changing, never boring, and impossible to outsource.

"For young people today who are worried about their future and wondering about what career or position they're going to go into, food service is one of those that's like the military—those jobs can't be outsourced to a foreign country. There's a permanent, ongoing demand," said Ken Switzer, Vice President and CFO of **Marco's Pizza**.

Although food is at the heart of every franchise concept within the food sector, there are countless investment options, business models, and food types for franchise operators to choose from. A prospective franchisee can choose to run anything from a van-based delivery business to a full-service restaurant—with dozens of other business types in between.

A food franchise can be a substantial moneymaker, and multi-unit operators in particular may see a significant return on investment once they are established. The wide range of franchise models available to someone looking to enter the food services sector makes the food business a feasible endeavor at almost any investment level.

Perhaps more than in any other franchise sector, operators of food franchises may reap significant benefits from being part of a large franchise system rather than operating alone. The food industry is highly competitive and trend-driven, and operators in this space must constantly be marketing themselves and developing new products. Franchisees benefit from having a recognized brand and the support and resources of a corporate office to help with these tasks.

Cons

The food sector is not for the faint of heart in terms of what it takes to run and operate a successful business. Rising food costs, soaring competition, high employee turnover, and long hours are just a handful of the sector's drawbacks.

"There's a lot of competition, and there's not much air for either hooking a wagon to a weak franchisor or being a weak operator within a sound operating system. You can't manage it on auto-pilot," said Keiser of Culver's.

Ask a franchisor or a franchisee to talk about the pros of the food sector, and you'll undoubtedly hear "exciting, people-filled, and food-loving."

Kelly Saxton
McAlister's Deli Franchisee

How long have you been a franchisee?
I started in 1982 with two Mazzio's Pizza locations and developed those into over 50 locations by 2004. That same year, we sold them and got on board with a new brand, McAlister's Deli. We now own and operate 30 locations across Texas, as well as four Pinkberry locations in the Dallas area.

Why did you decide to buy a franchise?
Franchises have so many benefits to offer compared to starting an original concept. From the infrastructure and processes to brand recognition and access to a large team to help develop the company, it was a no-brainer.

Why did you choose your franchise?
We wanted to turn our focus to a brand that was appealing to females—a fast-casual concept with a strong daytime presence. Plus, I truly believe in the McAlister's Deli brand. The high quality product, mixed with our team's excellent service, has proved to be a winning combination.

What is the best part of being your own boss?
I love being able to hire and work with great people! We have an amazing team and employ over 1,000 people across Texas.

What is the worst part of being your own boss?
The worst part of being your own boss is the new lifestyle of 24/7 dedication to the job and the well being of this company. I, however, am fortunate to have found great people to cultivate into a team I can depend on to make the right decisions for our company.

Where do you see yourself in five years?
I see us as adding at least 20 more locations throughout Texas. The McAlister's Deli brand is strong, and I don't see it going anywhere but up.

What advice do you have for prospective franchise buyers?
Stick with what you know. Make sure you really understand your market and invest in a brand that you trust and can be proud of.

For more information on McAlister's Deli, call Peter Wright at (720) 278-6680 or visit www.mcalistersdelifranchise.com.

The expenses—both initial and ongoing—are much higher than in other sectors and can fluctuate greatly based on what's going on in the world. A nationwide drought in 2012 forced restaurants of all kinds to deal with considerable cost increases in chicken, beef, and corn. Although franchisors obviously hope this was a rare event, climate-related price increases have become more common in the past few years, and rising fuel prices have also made a big impact on commodities. Prospective franchisees should ask franchisors what safeguards (supply contracts, cost-cutting efforts, increased menu prices) they've put in place on an ongoing basis to help offset high supply costs.

Getting started in the food sector typically requires a large investment, and early profit margins can be much lower than some other service industries—especially for operators of high cost, single-unit operations. Therefore, it can take a long time for a new operator to recoup start-up costs. Many franchisees choose to operate several locations because this typically helps them turn a higher profit and lowers their overall costs.

The food industry, like all industries, has felt the impact of the recession in terms of financing. It is much more difficult for prospective franchisees to access capital than it was five years ago, (For more on accessing capital, see Market Analysis.)

The food sector is probably the most competitive space in franchising (and in business in general). There are millions of options for consumers, both franchised and not, and the market is strongly driven by what's hot now, which can change overnight. Franchise companies must constantly be researching and developing new products to keep up with the latest food trends. At the same time, they must be careful not to act too quickly. Every menu addition or concept change requires an additional investment from franchisees to re-vamp equipment and train staff, so if a seemingly hot trend is actually a short-lived fad, franchisees lose out. Good franchisors watch trends carefully and know when to act and when not to.

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There is also significant pressure in the food space in terms of pricing. Franchisors must constantly keep an eye on their prices, adjusting them to compete with other concepts. In recent years, a number of QSR concepts have introduced value-menu pricing as a means to out-price competition and keep customers coming in the door. Franchisees ended up losing money as they were forced to offer more food for less money (while at the same time paying more for basic food supplies like corn and flour). In many concepts, even when sales were up, unit-level profitability suffered considerably.

To offset this, some brands have created new value product lines that cost less to produce. Marco's, for example, created a new pizza that takes less time to make (because it is not hand-tossed), requires fewer ingredients, and is slightly smaller than their traditional pie. With this product, franchisees can offer customers a cheaper alternative without losing money themselves. And, Marco's Switzer told us that, because the pizzas are smaller and cost less, customers often buy two, so franchisees end up actually making money on the deal.


Photo courtesy of Quaker Steak & Lube

The importance of a new franchisee being well-capitalized cannot be overstated. Prospective franchisees should carefully review a brand's FDD and ask current franchisees what they recommend a new franchisee have in the bank before opening.

Firehouse franchisee Goldsmith told us that one of the biggest issues new franchisees run into is managing the wild cash flow swings associated with operating a new business. Many franchisors have started including an Item 19—the "financial performance representation"—as part of their FDD. The latest trend in Item 19s is providing both gross and net numbers in order to really give candidates and franchisees a better idea of potential profitability, not just top-line revenue. Franchisors told us they have become much more frank in their discussions with franchisees about what exactly they'll need for capital to be successful.

"We've had an Item 19 for over 20 years," said Switzer of Marco's. "We try to go overboard in providing useful information

A Look at Food Franchisees

68%	Are male
62%	Have at least a college degree
25%	Are minorities (vs. 15% in all of franchising)
43%	Are in smaller markets with less than 100,000 people
39%	Have been franchisees for more than 6 years

for people to make an informed decision. We encourage prospective franchisees to check with other franchisees about any problems they have—we don't want any surprises."

Market Analysis

The business outlook for the food sector continues to improve along with the rest of the economy. In fact, according to a recent report from the National Restaurant Association, the restaurant industry is actually rebounding faster than the rest of the economy.

The NRA's 2012 Restaurant Industry Forecast predicted that total restaurant industry sales would reach a record high of $632 billion in 2012 (a 3.5% increase over 2011) and that the industry would add jobs at a 2.3% rate—a percentage point above the projected 1.3% increase for total U.S. employment. The report went on to say that the restaurant industry would gain back all of the jobs lost during the recession this year, while the overall economy won't gain back all lost jobs until 2014.

All of the franchisors we spoke with for this report said they've seen improvements at both the unit level and in franchise sales over the past year.

Access to capital, however, continues to be a factor, especially for larger, full-service concepts (which require more capital to get started). While the lending climate appears to be loosening, franchise systems are still experiencing very slow new unit growth domestically. Prospective franchisees should not be surprised or discouraged if they are turned down for financing. Even brands with a proven track record that are part of the SBA registry may require several attempts with different lenders before a loan is approved. "Loosening" is a relative term; things are still extremely tight in the financial markets as compared to pre-2008.

Hixon of MOOYAH says that his company hasn't had a problem finding financing for his top-tier candidates—developers with a strong background of successful restaurant ownership—but that individual, first-time business owners may still have difficulty.

"You read and hear that SBA lending is easier, but I think if you talk to most of the people

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out there who are trying to get those loans, they won't agree," Hixon said.

"I have one person on the staff whose sole job is helping franchisees obtain financing. In a fast-growth environment like we're in, we need to do everything we can to help that process along," said Switzer of Marco's. "Probably what's made the most difference is our willingness to partially guarantee bank loans through an affiliate by which we guarantee about 20-25% of the amount of the loan. That tells a banker that we stand behind the franchisee, and we have a lot of skin in the game."

Marco's (along with Firehouse and many of the companies on our list) has experienced double-digit growth right through the recession, while the franchise sector as a whole has experienced negative growth the last few years and is projecting a modest 1.7% growth this year (growth in number of establishments).

Partly in an effort to improve the financing situation, franchisors are paying close attention to unit-level economics (something that wasn't always top priority for most franchisors) and trying to find ways to lower costs and maximize return on the investment.

"It's really critical in food that you can relate to the younger worker. You have to be able to relate to young people because they are your brand, they represent you." **Ken Switzer**, Marco's Pizza

"One of our ongoing initiatives is a continuous process to negotiate better deals on equipment. The faster a chain is growing, better deals you can obtain. Some of the deals that we're getting are as good as you can get," Marco's Switzer said.

Franchisors told us that they continue to benefit from the economic recession in terms of available real estate, equipment costs, and employee availability.

Franchisee Success Attributes

The food industry can be a very tough business in which to make money, and franchise operators must have the right skills and background to be successful. Franchisees must be experienced business people, with knowledge of sales, marketing, and management. And it almost goes without saying that they must love food and be laser-focused on the total guest experience.

"We spend a lot of time trying to flesh out whether someone truly understands the importance of the guest experience ," said MOOYAH president Hixon.

The amount of staff management required to run the day-to-day business of a food franchise may be a drawback for some operators, depending on the size and structure of the concept. Many concepts require large numbers of low-wage, low-skilled employees. Oftentimes, these are teenagers with no prior work experience.

"It's really critical in food that you can relate to the younger worker. You have to be able to relate to young people because they are your brand, they represent you," said Switzer of Marco's. "Second, you need a willingness to follow the business model. We've had great success with military officers because

of the mental process of following a checklist, knowing what we need to do in running a business, and because many officers have experience working with young people."

Because of the unique challenges that face food operators, many franchisors and lenders require franchisees to have vast operational experience in the industry. This helps on two levels—franchisees know what they're getting into and they are more likely to be successful in the day-to-day operations of their business because they've done or seen it before.

"We look for someone whose core values line up with ours—having a passion for the quality of food, making it a fun environment—that's very important to us. Franchisees may not use those words, but when they talk about why they want to become a franchisee, that usually comes out," said Quaker Steak and Lube's Falciani.

While some franchisors might like to see past restaurant experience on the resume of a prospective franchisee, franchisors told us that people from all kinds of educational backgrounds can find success in the food segment.

"I've heard people refer to it as an industry where one can start out in the dish room and end up in the board room," Hixon said. "The opportunities within this industry are endless if someone's willing to work hard and they truly thrive in the dynamics that are inherent in this industry."

Franchisee Satisfaction

In the last few years, we've seen a marked improvement in franchisee satisfaction within the food sector. Our latest satisfaction benchmark for food is just 3.5% lower than our overall benchmark across all industries. Over 70% of food franchisees surveyed said they would recommend their brand to other franchisee candidates—a strong indicator of business ownership satisfaction.

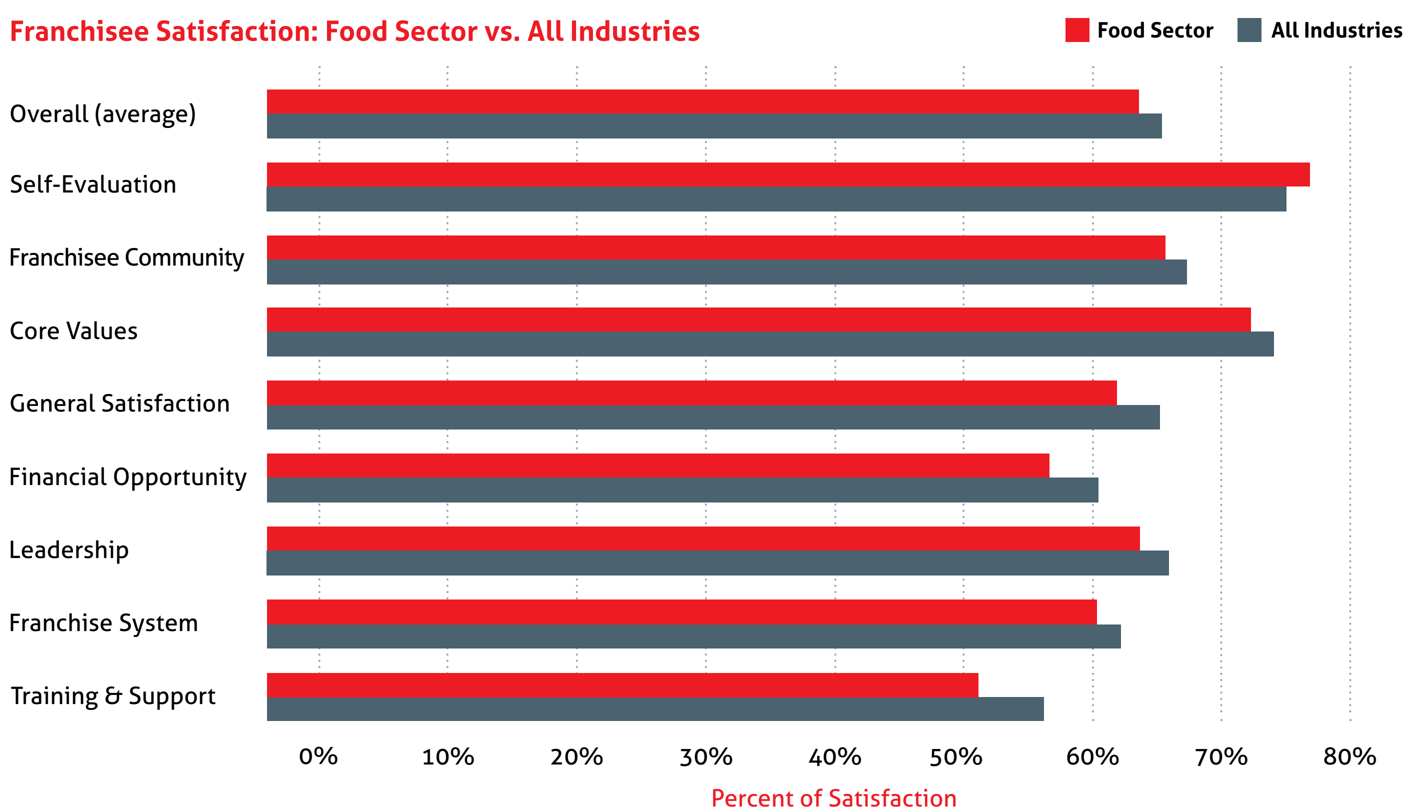
Forty brands make up our list of the top food franchises for 2012 (compared with 30 in 2011). These are the companies that received above-average ratings from their franchisees in our independent satisfaction survey, which covers financial opportunity, training and support, leadership, operations and product development, core values, general satisfaction, and the franchisee community).

Most food franchisors are beginning to understand that satisfied franchisees are more successful, more engaged, and only improve their corporate bottom line. All of the franchisors we spoke with (all from companies with high franchisee satisfaction) said they spend a considerable amount of time focusing on unit-level economics and working with their franchisees.

"When we do our franchise operations visits, instead of it being an inspection with a checklist, we are more focused on business support," said Falciani of Quaker Steak and Lube. "Our franchisees appreciate that. We want our partners to do well. If they don't do well, we don't do well."

The biggest variance (5.8%) between the food industry and other sectors was in the area of Training and Support, which is driven by two key areas: Effective Use of Technology and Marketing and Promotional Programs. Food franchisees rated their franchisors' Effective Use of Technology 14% below our benchmark across all industries, and Marketing and Promotional Programs scored 12% below benchmark.

Franchisee Satisfaction: Food Sector vs. All Industries



**Satisfaction comparison data above is based on independent surveys of franchisees completed within the previous 12 months. FBR's Food Sector Benchmark is based on data from 3,359 food industry franchisees. The FBR Benchmark is based on data from 16,995 franchisees across all industries.*


Photo courtesy of Marco's Pizza

Summary

Food franchises offer an exciting, ever-changing, never-boring environment to franchisees who don't mind making a bigger financial investment, working long hours, and managing a large and diverse workforce. Food operators remain some of the most passionate in all of franchising, and while the investment is higher, so is the potential for return.

In the past year, we've seen improvements in the lending landscape and in profitability, and franchisee satisfaction has held steady (with more brands on our list of top companies than ever before).

Potential business owners may be initially attracted to the hype around a particular brand or the overall idea of running a restaurant, but this should come second behind thorough due diligence. Prospective franchisees must do their homework and compare brands side-by-side—looking at both well-known food franchises and some of the smaller, lesser-known opportunities. Every food franchise has its own culture, and franchisees should carefully consider how that culture fits with their own business goals before committing to a brand.

MOOYAH president Alan Hixon may have summarized the food sector best when he said: "The opportunities for building a business are tremendous. With that, you don't have much opportunity to miss. You don't get a lot of second chances. There are numerous challenges that come along, and you need to be able to deal with a very dynamic environment."

For more detailed research on specific food service franchises, please visit us online at: www.FranchiseBusinessReview.com.

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