

Restaurants caught between franchising trends

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It's a tale of the haves and have nots. Many restaurant brands are finding themselves caught between two prevailing franchising trends — the availability of single-unit franchisees, which can be successful, but lead to slower growth, and the difficulty in reaching mega operators currently dominating the space, who promise speedy development.

To stand out, many restaurant brands have had to get creative. Some have focused inward on unit economics of company-operated systems, to best entice partners, while others go on aggressive recruitment roadshows. Some even lower expectations on snagging that large franchisee, instead working together with smaller operators to grow the brand in a sensible dynamic.

Partnering in growth

Arianne Bennett, chief executive of four-unit Amsterdam Falafelshop, planned to franchise the fast-casual concept from the beginning, even when the brand was just one corporate location in 2004, in Washington, D.C.'s Adams Morgan neighborhood. Her team has been developing and preparing the infrastructure for operators of any size to open locations, she said.

“In the beginning, it's just about finding the first few representatives who embody your brand and who would have shops you'd like to showcase to people,” Bennett said. “It can be a different type of franchise operator for each unit.”

For instance, the first franchisee, Matt D'Alessio, first encountered Amsterdam Falafelshop while a student at George Washington University in Washington, D.C., and while he had no previous restaurant experience, the franchisor coached him in the business after deciding he had potential.

D'Alessio opened his single unit in Somerville, Mass., in July 2012, and less than two years later he signed a lease for a second Boston location, to be operated jointly with Laurence Wintersteen, who had bought the rights for three Amsterdam Falafelshop units of his own.

Five more franchisees have since signed deals for multiple units in the D.C.-Virginia-Maryland corridor, Dallas and Salt Lake City markets, leaving Amsterdam Falafelshop's corporate team as the only single-unit operator of the concept.

“We’ve committed everything to paper so that [the franchisees] can think like us,” Bennett said. “We’ve spent the most time developing the detailed infrastructure to get ready for explosive growth and slot people into the markets when they’re ready.”

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