

Why It Pays Big to Be an Early Adopter in Franchising

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As a culture, we're obsessed with being first. And why not? Most people can name the first person to walk on the moon but draw a blank on the second. Being the first to try something has cachet, whether it's in sports, science or any other enterprise.

Except, maybe, in the [franchise](#) world. For every investor who lucked into an early [McDonald's](#) or [Jiffy Lube franchise](#), there have been hundreds who bet their life savings on untested concepts and ended up losing everything. Most franchise brokers and gurus tell prospective franchisees to stick to proven concepts--systems that have a track record, have perfected their model and have veteran franchisees to consult with.

This is good advice--but in some cases, ignoring it can be also be a good thing. Being an early adopter of a promising new franchise concept has its rewards. A franchisee who gets in the door first may develop a deeper relationship with the franchisor, receive stronger support, gain access to new territories and sometimes even have the opportunity to shape the direction of the franchise system itself.

A Second Chance

Dennis Saller was a dentist for 29 years. When he retired and sold his two practices, his daughters, Whitney and Mary Alison, convinced him to look into franchising as a second act. The idea was first presented to Saller decades earlier, when Mary Alison was just 8 years old. She told her father he should buy a Chick-fil-A franchise and showed him the corner in their hometown of Melbourne, Fla., where he should open it.

It was a little family joke until two years later, when someone else opened a Chick-fil-A on that very corner--where it's still one of the top locations in the Southeast for the chain. So when Mary Alison, now 28 with a business degree from Florida State University and experience in marketing, told Saller about a new fast-casual restaurant concept called Burger 21, he took her seriously.

Burger 21, developed by Tampa, Fla.-based Front Burner Brands, which has run the successful fondue franchise [The Melting Pot](#) for a quarter century, had two test locations when Saller's investigation began. "No matter the time of day, they were very busy," he says. "I spent a lot of time sitting in the restaurants, getting a feel for the guest experience, deciding whether this concept would work outside of Tampa."

After bringing in a good friend from Boston with experience in restaurant franchising to take a look, Saller decided [Burger 21](#) could be successful almost anywhere. He was also encouraged by the success of [The Melting Pot](#), which showed that Burger 21's corporate office had a strong track record. He and his daughters made the decision to invest, opening their first location in late 2012.

Saller says he doesn't think Front Burner would have accepted them without Mary Alison's marketing experience and Whitney's master's degree in business from the University of Florida--especially since none of them had restaurant-management experience. "They had a lot on the line with us as their first franchisee," Saller admits. "For them it was just as intimidating as it was for us. If we failed, their whole concept could collapse. The advantage of being first, though, was that they would do anything to make us successful, and they did that."

Whitney believes being the first kid on the block gives them an advantage going forward. "Corporate sees us as another great opportunity to expand. We already have a year of experience, and we can take advantage of that," she says. "We're already going after a second site. Corporate has taken a liking to us, so when opportunities arise, we're the first ones they call."

Test Pilot

Tracie Grubb opened the first location of [Style Encore](#), a women's fashion resale franchise, in Mandeville, La. After running a Once Upon A Child children's clothing resale shop with her mother for several years, Grubb was antsy to move on from onesies and rompers and start offering clothing to the mothers who came into her store. She was looking for a women's resale shop concept when Winmark, the Minneapolis-based franchisor of Once Upon A Child, announced its launch of Style Encore. Grubb was elated; she called the company right away and told them, "I'm opening a women's resale shop anyway, so you should let me in."

A few weeks later, Grubb was invited to corporate headquarters as one of eight Winmark franchisees chosen to open the first Style Encore stores. After seeing a presentation by the company director, she signed on the dotted line.

"When I saw what they had put together, I was like, whoa, they did their homework," she remembers. "They were prepared and said they were going to do this brand and do it right. They said we're successful with our other concepts and know what we're doing, and you'll be successful, too, if you go with us."

Grubb was the first franchisee out of the box, and began constructing her store in the spring of 2013. "I knew I was a guinea pig," she says, "but it was special to be part of helping create a brand. With Style Encore, we had a proven model, but we didn't know all the details yet. For some people that's scary. For me, I loved being part of something new."

Grubb gave feedback to help refine the space and concept as she built her store, consulting with corporate almost daily. "The downfall might be having to make little changes in the store, and you don't have everything in place right away like other franchisees will," she says. "But the good part is you can look at something that's fine on paper and say it doesn't work. You can make positive changes."

For instance, the Style Encore dressing rooms were originally designed with a red wall. Customers kept telling Grubb there was something wrong with the dressing room, but they didn't know what. When Grubb tried it herself, she found the red reflection was not at all flattering. She took pictures of an outfit in front of the red wall, and one with a white sheet behind it and sent both to her contact at corporate. They immediately redesigned the dressing rooms.

Experience Counts

When Allie T. Mallad started to think about franchising his Dearborn, Mich.-based massage business in 2008, he wasn't a rank amateur. Over the years, he'd been a franchisee for 10 different national concepts and served on advisory councils. At one point he owned 159 Little Caesars Pizza stores, making him the Detroit-based chain's largest franchisee.

He believed his Massage Green Spa concept would attract customers--the locations were built with eco-friendly materials, and the introductory value-priced \$29.99 hour-long massages beat out the competition. But he knew he needed to leverage his experience in the industry to attract franchisees.

"I know what they want and need because I've been there," he says, "and because of that we will be able to build a phenomenal system."

So far Massage Green Spa has more than 50 locations open and 500-plus in development. And it all started with Mallad's first franchisees, Grayson and Darlene Marshall of Jacksonville, Fla. When they learned about Massage Green Spa and looked up Mallad's track record, they were impressed. They visited the corporate test stores in Michigan and decided the concept was right for them. Four years later, the Marshalls are the top-earning franchisees in the system, with plans for a second location.

Even though Mallad is solicitous toward all his franchisees, Grayson believes they have a special relationship with him. "Allie knows that some of the best ideas come from franchisees," he says. "He calls Darlene and asks her what she's seeing, how to improve things. Or she'll call proactively. He's a franchisor who really listens, and he implements changes immediately."

Expanded Horizons

When Larry Greenberg stepped into [Sloan's Ice Cream](#) in Florida, he was instantly seduced. The Willy Wonka-esque scoop shop--with its whimsical décor and inventive ice cream flavors--blew him away. But as a businessman with 40 years of experience and a franchisee with nine Edible Arrangements locations in Southern California, he knew he had to do his due diligence before bringing the concept out West.

"I looked at four things," Greenberg says. "One, Sloan's was incredibly original and had several proprietary concepts. Two, it was iconic in its home market--people in Florida love Sloan's. Three, it has a proven business model and has had 10 years of extraordinary success. And four, it was a natural fit for SoCal. I think there are a lot of similarities between consumers in Florida and San Diego, Los Angeles and Orange County."

Greenberg is working with a development team on the first Sloan's franchise and hopes to have three open in Los Angeles, San Diego and Orange counties by the end of 2014. "Sloan's has a wonderful product, and we have the expertise and experience to expand the concept," he says. "We don't really need help negotiating real estate or leases or dealing with vendors like new franchisees might. It's absolutely a collaborative venture, and they're capitalizing on our experience."

The common thread among these concepts is a breadth of experience on the part of either the franchisee or the franchisor--though a little of both never hurts. Mallad of Massage Green Spa warns that signing on with an untested concept started by a franchisor with no experience takes extraordinary due diligence.

"If a brand-new franchise system has 1,000 stores under development in their first year, that's a red flag. They will not be able to service that many franchisees," he says. "Potential franchisees need to make sure the person leading the charge has the experience and attitude to lead the company. If the CEO doesn't realize franchisees are the most important core ingredient of a system, I would highly suggest looking elsewhere. The mentality should be that they are one team with one mission."