



The economic downturn has sent many businesses reeling, yet casual dining is continuing to thrive. So what are franchisors in this highly-competitive sector doing to ensure their franchisees ride out the storm? Daniel Stuart reports

Bucking Bull

Carvery, Roasts & Grill; 24 outlets across Australia
 Stuart Beechen, Managing Director

“While restaurants often see an immediate drop in business during an economic downturn, the fast food sector is usually affected much later, if at all. In fact, an economic downturn can have a positive impact on a franchise by creating a greater pool of potential franchisees – people who have lost their jobs and use the opportunity to go into business for themselves, often using their redundancy funds. Reducing interest rates are also helpful but, at the same time, credit can be more difficult to obtain; a strong cashflow is important.

Bucking Bull franchisees are definitely seeing more choice in staff as the time of a full labour market comes to an end. This will translate into better service as long as adequate training is provided to continue developing a customer service culture.

Minimising wastage and unnecessary expenditure is an ongoing process in all Bucking Bull stores – the economic climate hasn’t changed that at all. For us, market share in the fast food sector is all about the maintenance of the Bucking Bull brand value proposition and this is something else that shouldn’t change in an economic downturn. Economies of scale mean that franchisees are well placed to continue advertising effectively; at the moment, we’re focusing on local area marketing to ensure that existing customers are well looked after rather than investing heavily in advertising designed to attract new customers.

Ali Baba

Healthy K’Babs™ & Grilled Wraps; 60 stores across Australia
 Robert Marjan, CEO

“The economic downturn hasn’t affected us to the extent we expected. Our average transaction is under \$10 and therefore affordable as a daily food option. We are also trialling a new ‘value for money’ menu series designed to be more attractive to potential customers who are price conscious.

Our expenses have increased by more than 10 per cent over the past year so we are using this stage of the economic cycle to leverage our buying power by re-negotiating supplier

agreements, streamlining our supply chain inputs and passing on the cost savings to our franchisees.

While the natural reaction of many franchisors in an economic downturn is to cut advertising and promotion we are increasing our activity in these areas. We are currently re-conceptualising our customer selling proposition to be more 'value for money', improving the quality of our product offering and launching new products. Our brand-building strategies have also incorporated more elements of direct response. For instance, we are the Official Partner of the NRL Wests Tigers Performance and Nutrition team and, when the Tigers make appearances at Ali Baba stores, staff hand out flyers to convert these brand-positioning exercises into sales. We are also capturing the nutritional values and preferences of high-profile sports players in order to launch healthy products designed for athletes.

I think there are more jobs available in the corporate industry than hospitality though we have seen a slight increase in the number of job seekers in our category. Ali Baba Head Office helps all franchisees who are serious about growing their business by offering workshops for staff training."

bb's café

63 cafés in Australia and New Zealand

Nigel Nixon, Executive Director, Retail Food Group Limited (RFG)

"Our outlet sales have continued to grow despite the current economic downturn – we believe that one reason is that customers have been 'trading down' from more expensive products offered by our competitors to bb's café products. There are also indications that some customers are trading down to lower-cost products 'in-store' – however, the majority appear to be remaining loyal to their favourite bb's products regardless of price.

Recent research also supports the idea that growth is being driven by the franchise system's extensive menu, with products ranging from as little as \$1. It seems to us that, in the current market, customers are looking for variety and value for money.

Our aim is to fortify and preserve franchisees' gross profit margins, so cost management is always high on our list of priorities. Input price pressures have always increased and will continue to do so. However, strong relationships with supply partners enable us to keep costs to a minimum without reducing the quality of our products.

Fewer jobs does translate to greater pool from which to choose staff but we don't believe has any impact on our service delivery.

We have always recognised the importance of brand advertising and will continue to do so regardless of market or economic conditions. Our brand building activities are always evolving; our goal in the current financial year is not only to increase brand awareness but to increase loyalty within our customers' base. We are focused on delivering the best possible level of interaction between our brand and our consumers."

Billy Baxters

25+ cafés across Australia

Justin Menzies, Operations Manager

Our business has actually started to increase throughout the week with weekends remaining steady. I think people are forgoing expensive meals in restaurants in favour of good, wholesome value-for-money alternatives. That includes business people who are increasingly entertaining their clients here.

We need to be constantly aware of changes in both the retail and the cafe industry, as all of our stores are located within shopping centres. Cost minimisation has had to come via better deals and buying arrangements with our suppliers through to the shop floor level, all without

compromising our service and quality.

We are always tweaking our business models and practices to ensure we are doing things in the most cost effective way. For instance, people are spending less time in shopping centres so we have begun to tailor our menus in some of our higher volume stores to a faster, simpler menu.

It is imperative in tough economic times that businesses become smarter with their advertising dollar and look to the local markets more and more in order to continue to build a strong customer base. We have begun rolling out more shopping centre focused promotions, and actively seeking and taking advantage of opportunities that the centre marketing teams provide. These are often free, or very low cost, and the reach and exposure is always perfect for us.

Our brand represents freshness and value for money, so we are consistently evaluating the perception of our shop fittings and offers. A recent change in the direction of our corporate colours, and in-store colour scheme has resulted in increased trade and positive feedback. We are currently rolling out wireless internet access for all of our customers to reflect the changing requirements of our corporate customers.

The hospitality sector is often seen as a transient one and it is notoriously hard to find 'good' staff. We train all our staff to provide the highest level of service possible but, as more people are looking for work and understand how easy it is to become jobless, we have seen a jump in newer staff willing to go the extra mile for our customers."

Souvlakihut

Healthy, casual Greek dining; 26 outlets across Australia
John Fotiadis, Director

We made sure we were prepared for a downturn by including a lower price point range in our menu. We have five meals that are under \$5 and, in the New Year, we also introduced a Kids Eat Free promotion to help families.

As a business we always want to minimise costs as much as we can but without compromising on quality. We build strong relationships with our suppliers and ensure that we get the best deal – however, producing a quality product is the most important thing to us.

We have invested more in marketing this year than ever before with the launch of our TV advertising campaign for the Kids Eat Free promotion. This has achieved great results for us with an increase in customer numbers and sales. We've also invested in local area marketing to support our franchisees.

We have a clear strategy for our brand building activities, which includes franchise recruitment, marketing, public relations and strategic communications. We are driving franchise recruitment this year to double the amount of stores by 2010 as well as investing heavily in our marketing and communications to raise awareness of the brand nationally.

We work closely with our franchisees to support recruitment and ensure they take on quality staff and maintain high levels of service in our restaurants. We are a quick-service restaurant – however, all of our dine-in customers receive waitress service with the food brought out to them on real plates, with real cutlery. This gives us a strong point of difference in terms of service."

CHOOKS fresh & tasty

Fried and barbecued chicken; 38 outlets across Australia
Steve Hansen, Chief Chook

“So far the downturn hasn’t had any impact on our business. We also haven’t felt under greater pressure to minimise costs – we believe costs should always be minimised, no matter the financial climate.

Advertising is imperative for every business. If someone makes the decision to cut down on advertising all he or she is doing is cutting the revenue stream. An economic downturn is the time when you should promote, promote, promote. Any spend is actually an investment in the business and future sales – I’m not even sure that advertising should be considered as an expense. We started making changes to our brand-building activities more than 18 months ago – long before the supposed financial crisis that we are refusing to participate in. We changed our television and radio ads from pure branding ads to include a call to action and this is working very well.

It’s true that franchisees now have more choice in terms of the people they can employ. However, they should be looking after those that are loyal and honest and have already been trained. Training should continue for everyone who wants to be a part of the team.”

Grill’d

Healthy Burgers; 25 outlets across Australia
Simon Crowe, Founder & Managing Director.

The economic downturn has actually had a positive effect on Grill’d. Last summer was a record trading period in both Victoria and Queensland, with the majority of restaurants smashing their individual sales records. Grill’d is well placed to benefit from tighter economic conditions in 2009 as consumers trade down from full service to convenient restaurants with a strong value proposition. We are well regarded in this space, particularly amongst young families looking for convenient, quality and nutritious meals.

We are always focused on maintaining our strong value proposition and fortunately, as a fast growing company, we are well placed to negotiate improved prices with our suppliers. This is certainly a business focus. We have targeted a number of areas to minimise costs but never at the expense of quality. Additionally, we have stepped up our cost control by introducing a sophisticated point of sale IT system to monitor store performance and manage staff ratios on half-hourly basis.

Grill’d experienced a direct benefit from our March/April above-the-line advertising campaign and will continue to invest heavily in advertising for the remainder of 2009. In the casual dining landscape businesses should maintain and even increase their advertising investment in order to capitalise on the consumer shift from full service to convenient restaurants and to ensure they are top of mind.

The current employment situation should benefit systems in regards to their recruitment needs but businesses need to make more conscious, ongoing efforts to improve their service levels, especially those operating in highly competitive markets such as casual dining.

At Grill’d we saw an opportunity to dial up on service so we have moved to offer table service to all dine-in customers, rather than just calling out customer names and making them come and get their food. We have also introduced improved rostering tools that enable us to scale our labour up and down more effectively to meet consumer demand and ensure we deliver on convenience.”