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## Millennials' Next Frontier: Franchising

Members of the largest living generation have been called apathetic, lazy, and narcissistic. But as they come into their own, they're proving to be a tantalizing franchise target.

They're the largest living generation in the U.S.

They spend more money in restaurants per capita than any previous generation, according to Restaurant Marketing Labs.

They've been credited with changing the restaurant landscape forever by seeking out brands that offer customized food choices, quality ingredients, freshness, authenticity, transparency, and environmental and social responsibility.

They grew up on more trendy fast-casual brands like Chipotle Mexican Grill, Panera Bread, and the dozens of fast casual 2.0 chains that came after them.

And they're about to own a franchise near you.

Millennials—those born roughly between 1980 and 2000 and comprising the biggest American generation, according to Pew Research Center—are coming of age as entrepreneurs and business owners. Maligned by some, millennials have been called apathetic, lazy, and narcissistic. But as the generation ages and matures, some of its members are transitioning from their roles as demanding teen customers and misunderstood entry-level employees to innovative managers and business owners.

And franchisors should be ready to capitalize on their potential.

### **What sets millennials apart**

Chicago area native Sal Rehman is a millennial who grew up working in his family's diner. He graduated from DePaul University in 2010 with a degree in human resources and worked for several years as a recruiter for corporate technology firms. Eventually, he felt the pull of the family business and decided franchising was the best route to operating his own restaurant. He

opened his first Wing Zone in suburban Glendale Heights, Illinois, in 2015 at age 27. Two more Chicago-area locations quickly followed, and a fourth is in the works.

Rehman says he took his time and looked at many different franchising opportunities, but Wing Zone attracted him because he liked its business model as a fast-casual restaurant with delivery and a broad menu made up of more than wings.

“The look and feel was right,” he says. “Some franchises are not flexible, but with Wing Zone, it’s more of a partnership. If franchisees have something we think we can improve on, they take that into consideration.”

The prudent approach Rehman took to finding the right franchise opportunity is typical of the millennial generation, says Dan Rowe, founder and CEO of the franchise development company Fransmart. They want to work for the best of the best and will do their research to find authentic brands that fit their lifestyles.

In fact, Rowe says, franchisors don’t always need to recruit millennial franchisees.

“Millennials find you,” he says. “Just authentically do a great job, run a company that other people authentically talk about that wins awards and accolades, and they will come to you. Millennials are looking for brands that are already functioning at a high level.” He adds that, very often, millennials find franchise opportunities the same way they find everything else: through social media.

Paul Tran is senior director of development at Fransmart, and COO of Halal or Nothing, the Southern California franchisee of The Halal Guys, a fast-casual Middle Eastern concept. The 34-year-old says millennial franchisees like him view social media as “second real estate.”

“You need to have actual real estate that’s accessible and convenient,” Tran says. “But sometimes, with social media, people don’t even care where you are. If you pop up on their phone, you’ll be top of mind and they’ll find you wherever you are.” He adds that millennials are always on their phones, which helps as a franchisee because “you might as well be where the customers are.”

Because millennial franchisees are savvy about technology and social media, Rowe says, they are able to generate their own buzz without paying to advertise. In addition, social media can build a sense of community among a brand’s millennial franchisees.

“Franchisees communicate with each other, sharing best practices,” Rowe says. “They are also very savvy about press and public relations, and they’ll get on each other about social media scores. They’ll get alerts on their phones and send them around to other franchisees faster than corporate can. They are driven by things like Yelp ratings, and that matters because that’s what their customers are looking at, too. They are able to generate all their own buzz.”

## **The new franchise landscape**

Technology has also created new ways for millennials to afford the dream of owning a franchise.

Companies like ApplePie Capital, an online lender solely dedicated to the franchise industry, have made it easier for potential franchisees to borrow money for startup costs.

“The target audience of these types of sites is millennials,” Rowe says. “We didn’t have that 10 or 20 years ago. Today, there are endless amounts of money available online, but you have to be tech-savvy and social media-savvy to get it. I’ve heard stories of people with no money at all who raised enough to open three restaurants.”

Still, as with other generations, millennials don’t want to have to do everything themselves. That’s partly why franchising is attractive to them, experts say; millennials are in tune with what they are good at—and what they aren’t.

“Personally, I’m not a chef,” Rehman says. “I have a passion for business and the food industry, not for cooking. I told my family if I open a franchise, there’s branding, funding, and background behind me. I like the model where I don’t have to do back-end work figuring out suppliers and logistics; that is already provided.”

Tran says he believes millennials have a lot of energy and a strong work ethic, two skills necessary in a franchise environment.

“We’re also willing to take advice from mentors and business people who have come before us,” he says. “We don’t know it all; we’re very moldable and adaptable to change. We’re also aware we can’t do it ourselves. We can’t do it without a good, strong team.”

Tran says members of his generation dine out more than any previous generation because they are starved for time. Because they eat out so frequently—and because higher-quality limited-service options have been available to them since they were young—they’ve become foodies who pay close attention to the quality of their meals. That ability to be discerning about the food they eat, he says, has led to being discerning when selecting a brand to franchise.

“[Millennial franchisees] are doing this because we’re fanatical about a brand, not just to get a paycheck,” Tran says. “We want to do something meaningful and share it.”

## **Why millennials choose franchising**

Sharing is something millennials do a lot of, usually through social media. Andrew Gruel, chef and founder of the rapidly growing seafood fast casual Slapfish, acknowledges that he’s sometimes frustrated by millennials who care more about how his food will look on Instagram than how it tastes. But he appreciates the usefulness of social media for attracting franchisees to his brand.

“We get so many more leads off Instagram and Facebook than traditional lead generation,” he says.

The 36-year-old Gruel says another reason some of his peers, especially in tech-dominated California, are interested in becoming franchisees is that they made money at a young age in startups and are looking for new ways to invest their money.

“Restaurants are traditionally viewed as risky, but not to them,” he says. “They’ve gone through risky with tech. They see franchise agreements as a built-in insurance policy. They’ve got proven data, unit economics, operations manuals, legal protections ... and that’s built-in safety.”

Gruel says there are some negatives when it comes to millennial franchisees.

“The human variable is not a widget or a digit,” he says. “If someone is coming from the tech space, technology is binary and there’s not as much of a human element. In a restaurant, if three people who were scheduled to work call in sick and you can’t find fill-ins, your service goes down the drain and you might get a bad Yelp review and it’s a slippery slope. A lot of millennials don’t understand and appreciate that human aspect.”

While some millennials are interested in franchising because they made money in the last decade or so and need a relatively safe place to invest it, others are interested because they lived through the Great Recession between 2007 and 2009 and are looking for opportunity.

This especially applies to fast-casual franchises, Gruel says. He points out that many millennials came of age during the recession, a time when fast casuals started to take off as casual-dining customers traded down. Private equity investments in fast casuals started to explode, he says, and many concepts started to go viral through Instagram and Facebook.

Tran says the recession set three things into motion. First, it taught millennials that nothing is guaranteed and the best way to control one’s destiny is to be your own boss. Second, he says, the recession “ruined” real estate markets, which made it more affordable for young franchisees to open restaurants.

Finally, Tran says, many people were laid off, giving them the push they needed to start a business. “The recession helped fuel franchise growth with new brands, and less expensive brands, and more unique brands,” he says.

Another characteristic attributed to the millennials is that they are the boomerang generation, moving back home with their parents, at least for a while, after college graduation. A 2016 study from Fidelity Investments found that 21 percent of millennials were living with their parents, up from 14 percent in 2014, and two-thirds of the survey respondents said it’s acceptable for children to live with their parents.

This shows that millennials likely have a tighter bond with their parents as adults than previous generations did, something that has led to more franchising partnerships between parents and children.

## **The lifestyle factor**

While attention has shifted in recent years to fast-casual brands that have pledged not to franchise—thereby creating the impression franchising is more a thing of the past—it seems owning a franchise is just as attractive to millennials as it was to past generations.

“Being your own boss has great appeal,” Rehman says. “Being able to grow a business from the bottom and make it prosper takes a lot of work, and it’s exciting when you have it all set up and don’t have to be there 100 hours a week anymore.”

Tran says millennials are concerned about their quality of life, and franchising gives them the flexibility to either stop at one or two units or grow to 50 or more.

“It’s a personal decision; it’s a lifestyle choice,” he says. “We want to have quality of life. Some millennials want to work aggressively and have massive growth. There’s a prevailing philosophy that you work hard now so you can focus on family and have quality of life later. Personally, I think you have to have quality of life now or you’ll never slow down.”

Gallup reported in August 2016 that 21 percent of millennial workers changed jobs within the preceding year, and six in 10 were open to different job opportunities. Meanwhile, only half of millennials planned to be with their company a year in the future.

This propensity toward job-hopping is sometimes viewed as a desire in millennials to get rich quick. But it could also be a sign that many millennials are just looking for a perfect fit—a fit that franchising might be able to provide.

“Franchising is not a way to get rich quick, but it is a way to be your own boss quickly,” Gruel says. “At the end of the day, potential franchisees have to ask themselves if that is satisfying enough to endure the long hours and hard work of the restaurant industry.”