



WHY RESTAURANT BROKERAGE IS BOOMING



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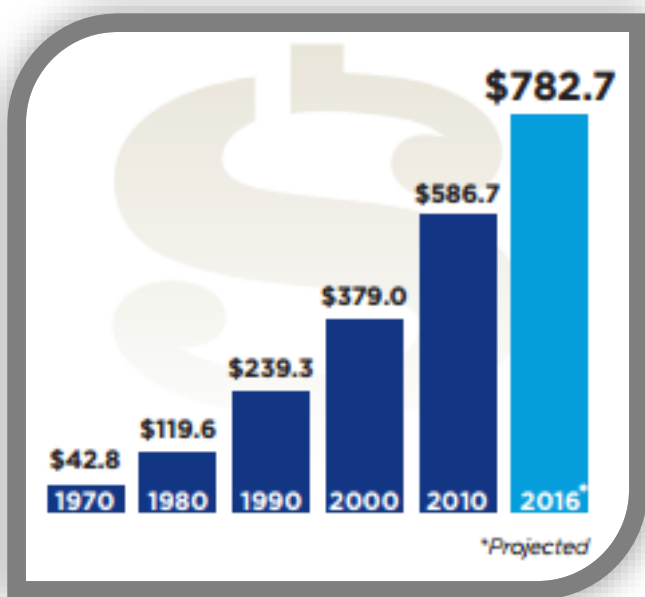
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Introduction

“There will be more than 1 million restaurants and foodservice locations in the United States in 2016.”

- National Restaurant Assoc.



“20% or 1 in 5 of all restaurants in the United States are on the market.”

A record 100,000 *more* locations will be established in 2016 than there were a decade ago while sales continue to climb. The restaurant industry is a \$782.7 Billion Dollar industry and equates to 4% of the U.S. Gross Domestic Product. That's a larger output than 90% of the world's economies. In 2016 alone, sales are projected to grow by \$37 billion dollars. To put that number in perspective, it is more than double Hollywood's annual domestic box office sales.

There is no doubt. Americans are in love with restaurants. Employment in the industry will reach 15.1 million in the next decade creating 1.7 million new jobs by 2025. An amazing half of all adults have worked in the restaurant industry at some point during their lives.

It's not just the count of all restaurants but also societal factors and franchise resales that are factoring into restaurant brokerage growth. We'll cover all the reasons why the restaurant brokerage industry is booming in this report



SOCIETAL CHANGES DRIVE RESTAURANT SALES

Why are so many restaurants for
sale?

Why so many restaurants for sale?

Key Reasons you see Restaurant Sales Increasing

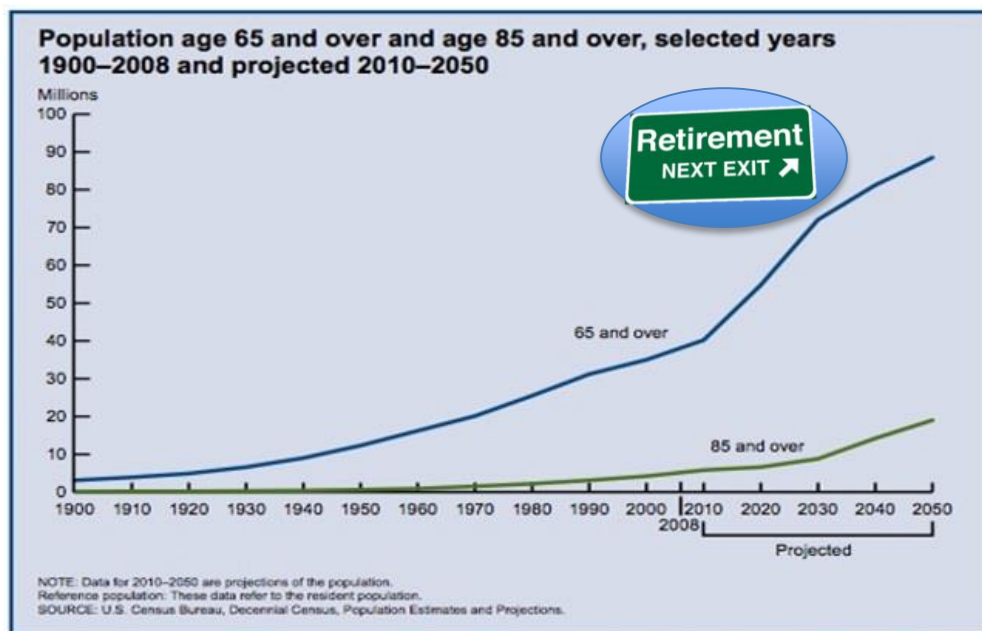
The count of restaurants for sale is growing for several reasons. Some are societal influences, others are related to the evolution of the franchise industry and some are just because the denominator in the equation is getting larger (i.e. more restaurants in total equals more restaurants for sale).

Let's start with societal influences and a booming impact on the industry that began only a few short years ago. It's called "Food Network." As hard as it is to believe, the Food Network channel launched in just 1993. Bobby Flay joined in 1995 and still serves a signature role in the network. Pouring into more than 96 million homes in America (83.3% of all homes) Food Network has taken

cooking mainstream and everyone believes they can either be a "Food Network" star or act like one in their own restaurant. The glamorization of the industry may be a trend started at Food Network but was it quickly followed by other channels (Top Chef anyone?) and network TV with shows like "Hell's Kitchen" and "America's Test Kitchen." Let's face it. Food Network took being a chef into primetime and cemented cooking into the consciousness of America making it sexy to be the star of your own kitchen.



The glamorization of the industry and the influence of reality TV has at least one expected consequence. Many people open restaurants that probably shouldn't. Those foodies who open restaurants often need to sell and when that happens, they need restaurant brokers.



10,000 Baby boomers will turn 65 every single day until 2030

Generational changes are also impacting restaurant brokerage - in particular Baby Boomers. Baby Boomers are those born during the post World War II Baby Boom (1946 - 1964). These boomers that own restaurants are hitting retirement age and will be between 52 and 70 years old in 2016. They have often built very successful business interests in the restaurant industry as either an independent operator or a franchisee. They need and want to sell these assets that represent a big part of their retirement savings. By most counts, they are the wealthiest generation born.

BABY BOOMERS BOOMING!

Baby Boomers are the largest generational group in history. They are also the most physically fit generation with many years of life ahead of them to finance. That leads to lots of “Boomers” with lots of restaurants to sell. They want the most money and they believe in hiring the best to manage their affairs. They are not going to settle for a “general” business broker. They want a specialist and that means they need Restaurant Brokers to sell their business; another societal reason Restaurant Brokerage is booming.

National Average: 5.0%



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HOW FRANCHISE RESALES ARE POWERING DEMAND

Franchises represent a large part of
the growth in restaurant brokerage.

Franchise Industry Powers Demand

Franchising is creating targeted need for Restaurant Brokers

How is franchising itself creating demand for restaurant brokers? It comes down to this. The franchise system is a highly connected one and franchise brands simply prefer doing business with other franchise brands. They believe that other franchises “get them” and understand the regulatory requirements of their FDD and the transfer process. Those who are members of the International Franchise Association (IFA) can attest to the community of franchising that exists within the system.

Restaurants (Food and Hospitality) represents the largest segment of franchise brands in America. The life cycle of each individual brand and its franchise count is always changing but above all, franchisors want growth, not closures.

That’s where Restaurant Brokers come in. A typical franchise agreement is ten years with an option to renew for an additional ten years. At or around the seven to ten year mark for these franchise brands, we estimate that as many as 25% of their units could be in a state of turnover. Not because it isn’t a great brand and it’s not performing well but simply because those who have operated through the



first term of their agreement are looking at renewal and making the lifestyle choice to do something else. This represents tremendous opportunity for restaurant brokers to sell these franchise units.

Ultimately, franchisors want to deal with Restaurant Brokers that know franchising and know the industry. It’s one more reason that Restaurant Brokerage is booming.



Sales of open and operating units or “Franchise Resales” are growing.

Roughly 20% of all fast casual and full service restaurants are franchises. They are forecast to turn over at higher rates than every before in the next decade.

Why is this occurring? Let’s look at the history of franchising which is actually very young. The United States franchise system was born on the back of the Interstate Highway system in American and along one of America’s most treasured American institutions; the family car. No longer willing to take a chance on Joe’s Diner in one city or Sally’s Soda Shop in another, families flocked to the “known” quality

FRANCHISE RESALES ARE TURNING OVER

where the golden arches meant the same food whether they were in Pittsburg or Topeka. Consistency of product and branding drove strong growth in the franchise model.

Some of the best known brands in America were launched as late as 1955 (McDonald’s) or 1954 (Burger King). Some of the oldest restaurant franchise brands include Kentucky Fried Chicken which started in 1930 and Dairy Queen in 1940. Fast forward to 2016 and we’re now in the third generation of

restaurant ownership for families who entered franchising early. They passed the reins to their children who typically added to the store count and expanded a lucrative business model. Now the time has come for this generation (the Baby Boomers) to pass on the reins. How does this relate to societal changes? Well consider that those now inheriting those franchises are Millennials. The Millennials, sometimes called the “Me Generation” aren’t as interested in the family business or the legacy brands they are inheriting. They are selling them off to reinvest in “younger” more “hip” brands like Menchie’s Yogurt or Which Wich sandwich shop. That means a lot of units are hitting the market after two generations of successful operation within a family. This creates a great opportunity for restaurant brokers.

It’s not just generational changes driving franchise resales. A dirty little secret about franchising is this...franchisors don’t like everyone in their brand

Why are franchises turning over now?

Hard as it is to believe, some franchisees, despite the initial screening just aren’t a fit for the system. With today’s technology, it’s easy to identify these players. They may be an owner that refuses to follow the system, it could be someone that committed to be an owner/operator and is now operating absentee, or it could be someone who doesn’t embrace the brand culture or is in financial default.

RESTAURANT BROKER TIP

Franchisors don’t like or want every franchisee in their system. That means some number must turn over every year. We estimate up to 25% depending on the brand.

These are just a few reasons franchise restaurant resales are increasing and along with that, why Restaurant Brokerage is now booming in the United States.



Franchise Real Estate and Resale Needs Create Restaurant Brokerage Demand

Another reason for the booming restaurant brokerage trend is a realization of the franchise brands that they should focus on what they do best - new franchise sales. They have learned the hard way that they don't have the time and shouldn't take on the liability of certain other functions, like franchise resales, valuation and site location. Enter the Restaurant Broker who takes on the ancillary parts of the franchise brand operation and serves as an adjunct to the franchise brand.

Many franchisors had large real estate departments until around 2008 when the total economy suffered. Now they

FRANCHISORS NEED OUTSOURCING OPTIONS

realize it's easier to outsource their search for new franchise sites. Instead of keeping a paid person on staff, they simply locate those specializing in the food industry and have them find new sites for the franchisees they are signing up.

Franchisors also realize they don't want the liability associated with doing formal valuation or pricing on a franchise resale. They push that out to professionals, creating more demand for restaurant brokerage. It's no wonder the industry is booming!



LIFESTYLE CHOICES FUEL RESTAURANT BROKERAGE

Why a change in lifestyle is fueling
the restaurant brokerage industry.

How lifestyle is driving demand

Those who love the industry choosing “Banker’s Hours”

For many in the market for a new career, lifestyle choices are fueling the decision making. In particular, they want flexible hours, time with family or just control over their own destiny.

While the restaurant industry has a tremendous allure, it is an industry that requires for many, late nights, lots of employee “hand holding” along with the liability of carrying inventory and a long term lease. Restaurant Brokerage is growing as an industry in response to some of these contrasts to owning a restaurant.

The single most important benefit to most is the ability to manage your own schedule and lifestyle. Restaurant Brokers do not “drive clients around” to restaurant. Buyers visit on

their own and most work is done by phone from your home office.

Speaking of home office, that’s another reason restaurant brokerage is growing. There’s no need to rent an office space or put up an expensive building. Buyers and Seller expect you to meet them at the restaurant so there’s no real reason to work from anywhere but home and incur this additional expense.



Buyers who are considering a fast casual brand may easily see an investment of \$350,000 or more for a simple build out. A Restaurant Broker essentially needs three items:

- Laptop
- Good Internet Connection
- Smart Phone

That’s it. No wonder Restaurant Brokerage is growing!

Another element driving demand for the restaurant brokerage industry is the ability to take a break from managing employees. For most Restaurant Brokers, there is little need for any help (even administrative help), if you have a dedicated software system so those annoying ‘call outs’ over shifts and other employee issues don’t exist. For many, that in itself is a lifestyle reason for entering the restaurant brokerage industry.

“Design your business so it serves your ultimate lifestyle.”

- Michael Port

Other lifestyle reasons that have restaurant brokerage on a fast path is the ability to control your own earnings. For too many in corporate America there’s always someone ready to take credit for your work and more importantly, fail to compensate you for it. In the world of restaurant brokerage, your reward is directly proportionate to your individual effort. There’s no cap on earnings, no bonus that can be “managed down” by an accounting department or boss. Unlimited earnings based on your individual effort is a reason Restaurant Brokerage is booming!



A day in the life of a Restaurant Broker provides great insight into why the industry is booming. For most restaurant brokers, the day begins at home surrounded by family. There's no rush out the door to escape the traffic or leaving before the children are up. You can exercise, have breakfast, see the family and then retire to your home office to hit the software platform and the phone. Roughly 30% to 40% of your day is spent on calls with restaurant buyers, discussing their needs and responding to inquiries or "leads" sent to you by the franchise.

Another 30% to 40% is spend on valuations and working with restaurant sellers, letting them know what their business is worth and why. This may involve a meeting at the restaurant to take photographs and sign a listing agreement though more work is now accomplished online with tools like DocuSign. The final 20% of your day is spent "following the money" or making sure deals in contract move forward with conference calls, process checklists and deal management tools. Your kids make it home from school in time to talk to Dad or Mom while you field calls (and make dinner!)



SPECIALIZATION A SHAPES RESTAURANT BROKERAGE

A broker who is all things to all
people isn't good enough for the
restaurant industry.

General Business Brokerage

Important differences in process are driving demand

The steps in buying a restaurant may be similar to that of buying a nursery school or convenience store but sellers demand and want specialized Restaurant Brokers.

As the industry of business brokerage has grown, it's actually highlighted the need for those offering specialized versus generalized services. Sellers and buyers want more from the industry than a "one size fits all" broker who doesn't have in depth knowledge and understanding. In fact, how can someone move from selling a daycare today to a dry cleaners tomorrow and suggest they have expertise in the restaurant industry? The general brokerage community underserves the restaurant industry and actually highlight the need for Restaurant

Brokers. Only a specialist can instantly discuss the appropriate food cost for a concept versus the standard labor model for the industry. It's no wonder that those in the industry trying to list a restaurant versus a Certified Restaurant Broker quickly learn they are outmatched in training and skillset. It's clear to the seller and it's clear to the restaurant buyer. Specialized firms deliver unmatched results and this helps to drive even more demand for the Restaurant Broker industry.



The standardization of the Restaurant Brokerage practice also helps the growth curve since brokers aren't "re-learning" each time they have a new transaction but instead are using proven methods and tools developed for results in a single industry.

Specialization supports demand

3 Key Areas where specialization drives demand

One very big advantage in buying any business is its ability to qualify for lending. That's the first area where Restaurant Brokerage franchises like We Sell Restaurants experiences strong growth. Businesses that qualify for lending have higher price points leading to higher commissions for the restaurant broker.

Restaurant Brokers affiliated with national franchise brands like ours have access to the lenders that know restaurants. In other words, Restaurant Lending Specialists. Specialists align with specialists so that lending is easy to accomplish and for most deals, gets approval within 72 hours of submission. If a broker is recasting everything from machine shops to coin laundromats and submitting

each of them to different lender "specialists" there is simply no way for fast turnaround like our single focus submissions. The We Sell Restaurants group has an SBA Preferred Lender on standby that can underwrite locally, approving a restaurant for lending within 72 hours of loan submission. That makes the Restaurant Brokerage industry grow!

A second advantage to specialization are the legal forms and documents to write a contract and close a deal. The issues around a restaurant liquor license are very different from health care licenses. Our forms don't have to cover everything, just everything related to restaurants.

A vendor community tied to the restaurant industry is the third area driving demand for Restaurant Brokerage services. No worries about where to find an insurance, inspection or technical resource. If it's restaurant related, we've got you covered. Specialization drives Restaurant Broker Demand.



TRAINING PROPELS RESTAURANT BROKERAGE

A systemic process and training
program is driving the brokerage
business

Training is Required to Satisfy Demand

Being great at specialization means you have to be trained.

Restaurant Brokerage demand is growing for talented and trained professionals. There's simply no way to "fake" knowledge of the industry. How do you get it?

It takes a multi-phase program led by the best in the industry with total support in every phase and ongoing mentoring as your deals go into contract and closing.

While the approach to Restaurant Broker training may differ across the country, We Sell Restaurants offers the only Certified Restaurant Broker™ program in the nation. It consists of training materials prepared by an Instructional Designer with clients like Proctor and Gamble and Google, along with We Sell Restaurants.

Phase I - Pre-work Manual

The award-winning book *Appetite for Acquisition* is the textbook and companion piece to a 50-page manual with exercises, questions and information focused on developing knowledge.

Phase II -- B.O.S.S. Webinars

A week-long practicum and webinar series on the proprietary software tool developed by the firm; the B.O.S.S.©. The Broker's Operations and Sales System (the B.O.S.S.©)

Phase III - Classroom Curriculum

Phase three of the acclaimed Certified Restaurant Broker™ program is the Classroom curriculum delivered firsthand by Eric and Robin Gagnon, the country's preeminent restaurant brokers.

Phase IV - In Market Support

Phase four of the program designed to launch your Restaurant Brokerage practice is actual in market support by the brand's founder, Eric Gagnon.

While the first four phases are critical in establishing a baseline of information and the process that forms the systemic approach to restaurant brokerage, it is Phase V that cements the concepts, and helps Restaurant Brokers achieve the credibility in the marketplace as the most sophisticated and well trained brokers in the industry.

Phase V is the Mastermind Support phase. For as long as needed, there are one on one Mastermind sessions with the franchise founders. These Mastermind sessions offer a combination of brainstorming, education, peer accountability and support in a one on one session to sharpen your business and personal skills and help you achieve success. Compared to other general brokerage franchises that give anywhere from two to five days of training, it's easy to see why Restaurant Brokerage is booming with a talented team at the helm.

Activities that best describe what a Restaurant Broker might like

- ✓ Investigate new things and technologies
- ✓ Communicate ideas to people
- ✓ Handle several responsibilities at once
- ✓ Have a flexible schedule
- ✓ Perform a variety of duties that may change
- ✓ Perform activities that produce tangible results
- ✓ Work under pressure and meet deadlines
- ✓ Work with all ages and types of people
- ✓ Work with computers and computer programs
- ✓ Work with numbers and apply math to solve problems

Sound like you?

Continue reading to test your personal qualities to be a Restaurant Broker.

Personal Qualities that best describe a Restaurant Broker

- ✓ Competitive
- ✓ Dependable
- ✓ Enthusiastic
- ✓ Good Communicator (written and verbal)
- ✓ Optimistic
- ✓ Outgoing
- ✓ Persuasive
- ✓ Self-Confident
- ✓ Self-Motivated
- ✓ Tenacious
- ✓ Trustworthy
- ✓ Works well with others

Sound like you?

A Restaurant Broker may have all or a few of the qualities listed above along with enjoying some of the activities in the preceding list. Not all Restaurant Brokers need all qualities but several represent key areas where an individual will definitely be more successful in the industry than someone without those qualities.

Many people wonder if restaurant experience is a key element of being a successful Restaurant Broker. While it can definitely be helpful, it's not a requirement for success. A strong Restaurant Brokerage training program will teach you the in's and outs of the business so that when you meet with sellers you can 'talk the talk.' In addition, well planned programs allow for kitchen and site visits, mentoring from those in the industry and one on one coaching to make sure you reach the field with the right level of expertise.

In addition, immersion in the industry in the form of trade shows, publications, and industry resources is a critical part of any training.

While many successful Restaurant Brokers are former restaurant sellers, it's not a requirement or key to a broker's success to have spent significant amounts of time in the restaurant industry.



Restaurant Brokers often find the following items to be helpful to their career

- ✓ Coaching from the best in the industry
- ✓ National Marketing to drive Buyer and Seller Leads
- ✓ Proven Tools and Techniques
- ✓ Customized software to support a specialized Industry
- ✓ Processes that deliver results
- ✓ Focus on money-making activities versus administrative tasks
- ✓ Education and Training
- ✓ Leading Edge Technology
- ✓ Strong Measurement of Success
- ✓ Unrestricted Opportunity based on individual Effort



Are You Ready to Become a Restaurant Broker?

APPLY NOW

REQUEST INFO

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