ADWEEK

Marketing Innovation https://www.adweek.com/category/marketing-innovation/)

After Clashing Over Marketing for Eons, Here's How CMOs and Franchisees Can Finally Get Aligned

It won't be easy, but experts have a few ideas on where to start

By Robert Klara | 10 hours ago

The CMO/franchisee relationship is often contentious.

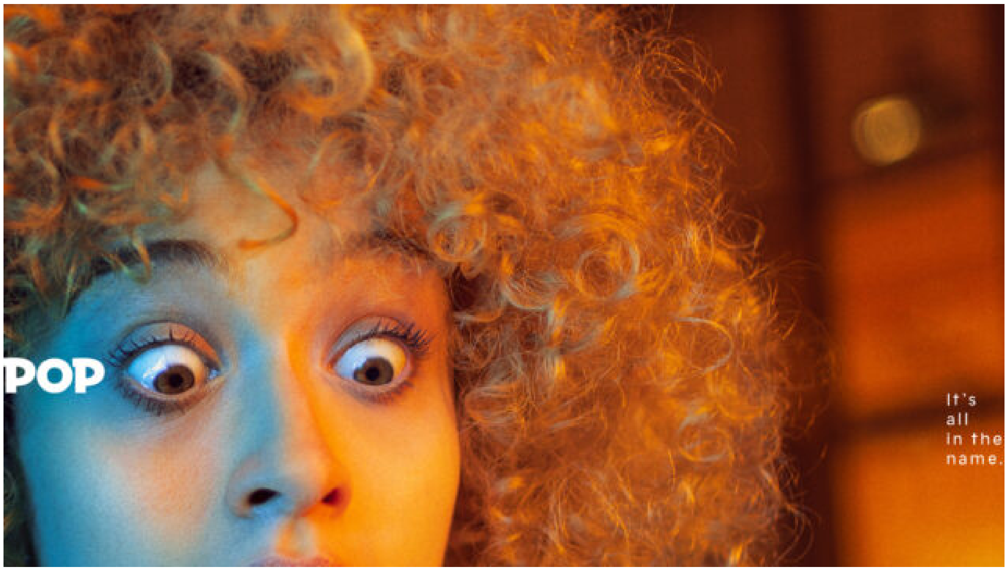
Credit: Boris Zhitkov/Getty Images

If you want a snapshot of the sort of conflict that's always simmering between the CMO's office and a company's franchisees, you might start by asking Bruno Cardinali.

For three years, Cardinali was the CMO of Popeyes, where he presided over one of the most successful promotional blitzes in recent history—the Popeyes Chicken Sandwich https://www.adweek.com/brand-marketing/what-popeyes-chicken-sandwich-can-teach-us-going-viral-connecting-communities/). Introduced in August 2019, the item awakened passions rarely seen in fast food. Customers formed lines around the block, waiting an hour or more to sample the crispy chicken breast on a brioche bun with pickles and Cajun sauce. Jimmy Kimmel tweeted about the sandwich. Saturday Night Live parodied it. And as 20 competing chains scrambled to mount their own versions—touching off what would later be called the Chicken Sandwich Wars—Popeyes notched a quarterly sales spike of 38%.

“It was a massive sales return for everybody,” said Cardinali, who earlier this month took the marketing helm at fast-casual chain Oakberry. He’s referring to corporate performance, of course, but also to the revenues of franchisees, who operate 99% of the Popeyes system. Some units generated an extra $400,000 thanks to the sandwich alone.

You might think that franchisees were overjoyed at such a windfall. But it's not that simple.



Popeyes Is Exporting the Chicken Sandwich War to France

Cardinali recalls, not uncharitably, that he received an earful from some franchisees who bristled under the operational strain of serving so many sandwiches. One franchisee whose restaurant served up 1,200 chicken sandwiches per day told The New York Times: “It was so stressful. I’m amazed that team members stayed. It was absolutely just mayhem.”

And while he's still proud of the promotion, he told Adweek that “increasing traffic created a lot of need for everybody to rethink a lot of the processes to make it smoother.”

Popeyes’ sandwich pandemonium is only a recent manifestation of a familiar dichotomy within sprawling chain systems where franchisees work the front lines. Following the usual remit, a CMO focuses on big picture marketing to generate buzz, increase customer counts and boost top-line growth. But a chief marketer also has a responsibility to work on behalf of franchisees—and *their* day-to-day realities are different from (even at odds with) what happens at the head office. In theory, a CMO should devise marketing initiatives that benefit both parties. But a host of issues conspire to make that task a difficult one.

Difficult—but not impossible. Adweek asked a range of experts to share their thoughts about why the CMO/franchisee relationship is so often contentious, and to suggest ways it could be improved.

Cut out for conflict

To a great extent, the competing interests of the CMO and the franchisee are baked into the franchising model itself, which relies on disparate skillsets in order to work.

"This problem is old as the hills because the marketing people, the operations people and the finance people are different personality types," said John A. Gordon, founder and principal of Pacific Management Consulting Group, which specializes in restaurant finance and franchising issues.

CMOs are inherently optimistic and often cook up clever ideas, Gordon said, but they "don't understand store economics very well."

Franchisees, by contrast, eat and sleep store economics. That singular focus can admittedly make them resistant to ambitious marketing campaigns—yet the franchisees are also the ones with the most skin in the game. "Franchisees are generally small to midsize businesspeople," Gordon said. Unlike the CMOs who enjoy a regular paycheck, "They have a note on their property. They have to pay royalties. They're in it for the long term."

As the founding partner of franchise law and commercial litigation firm Zarco Einhorn Salkowski, Robert Zarco has represented franchisees from more than 550 brands over the course of his 38-year career. From his perspective, franchisees are not only subject to the caprices of marketing decisions made at headquarters, they're bound by the terms of contractual agreements that maneuver them into an inherently disadvantaged position.

Loki and Michael Scott Walk Into a McDonald's: Brand Serves Up Iconic TV and Film Orders

Not a fair shake

For example, a promotional program developed by a CMO might well generate additional revenue —but it can also force franchisees to sell items under cost. In many instances, "the franchisee is undertaking greater expense in delivering that promotional product to the consumer than the profit that that transaction would bring to the franchisee," Zarco said. "In fact, those transactions typically are losing transactions."

The textbook case is Burger King's double cheeseburger fiasco. In 2009, BK rolled out a promotion that dropped the price of a double cheeseburger to $1. At the time, the home office in Miami hailed the marketing campaign for delivering "exceptional value." A value for customers it doubtless was, but not for franchisees, who found themselves selling a premium menu item at a loss. They sued, and BK settled in 2011.

Here's a more recent example. In 2017, McDonald's corporate began pushing its franchisees to sell soft drinks for $1. Franchisees didn't like it, but when inflation began driving their costs through the roof in 2022, they revolted. Eventually, headquarters backed off. "The issue there is that the pathway to riches in a fast food operation is French fries and soda," Gordon said.

An aggravating factor in cases like these is that, while the CMO and his marketing department might be aware that its promotion is a hardship for franchisees, there's no disincentive to going ahead with it anyway.

"Not only is headquarters not going to feel any pain—headquarters is going to feel a profit," Zarco said. "Because, while the individual transaction in the corporate stores may not generate a profit at the unit level... corporate-wide, there's a tremendous uptick in profitability because of the additional royalties and marketing fees and service fees, and all other fees that are tied to the gross-revenue business model."

Can't we all just get along?

The obstinance of these problems begs some difficult questions: Can anything be done to foster better cooperation between a CMO ensconced in a carpeted suite and a gaggle of franchisees on the front line? Is it possible for a CMO to create campaigns to satisfy corporate's growth agenda that franchisees will also like? At least one prominent CMO thinks so.

Eric Keshin spent 30 years at McCann WorldGroup https://www.adweek.com/agencies/how-mccann-worldgroups-internal-sustainability-tracker-steers-it-toward-net-zero/), where his clients included Wendy's, Burger King and Applebee's. In 2014, he signed on as chief marketer for Great Harvest Bread Company, a bakery-café concept with more than 200 franchised locations. Keshin's long experience has taught him that, sooner or later, many franchisees "feel like the franchisor is a little out of touch or is making them do things they don't want to do."

His solution? Stop making them do it.

At Great Harvest, Keshin has no national marketing program. Instead, he focuses his energy on unit-level marketing, and on winning the trust of franchisees with an initiative called "Guaranteed to Break Even." In this setup, headquarters devises regional marketing messages (usually some variant of "baked fresh every day") and furnishes templates for franchisees to implement them—copy for Google display ads, for example, or crib sheets for local radio DJs to read on the air. The franchisee is under no obligation to buy into Keshin's strategy. But many do, because Keshin has the data to prove that it will increase their sales.

"I'm able to compare the universe of the test market versus the universe of the people that aren't doing anything—and I could show a 5% to 15% improvement in comps," he said. "I guarantee [my franchisees] that it's going to pay back. But if for whatever reason it does not, then we would cover the cost."

Panera Bread and T-Pain Gear Up for a Full Day of 'Craveable' Exclusive Merch Drops

Hybrid marketing

In addition to her work as a certified franchise executive, Kristen Pechacek is also the chief growth officer at St. Louis-based MassageLuXe. When she joined the luxury spa chain in the summer of 2020, she set about finding ways to foster a more productive working relationship between the home office and the franchisees who operate all of the brand's 69 locations. Even now, she said, maintaining those good relations is "the hardest part about my job."

Why? On the one hand, "franchisees didn't get into business to be marketers," Pechacek said. At the same time, franchisees don't appreciate the CMO shoving onerous marketing ideas down their throats. To address this paradox, Pechacek created what she calls a "hybrid approach."

As you might expect, the home office in Chesterfield, Missouri handles PR duties and runs national marketing. (While Pechacek does do pricing promotions, "we tier them based on [a franchisee's] normal pricing and geographic areas, so there's a little bit of flexibility.") Meanwhile, on the local level, franchisees handle marketing on their own, most often relying on support from Pechacek and her staff.

For example, while headquarters expects individual stores to be active on social media, it knows that most operators don't have the time to keep coming up with fresh ideas for content.

"We have to find a way to get that local content out," Pechacek said. "One of the ways that we do that is by telling [franchisees] what to post. All they have to do is hand [the briefing] to their manager and read the prompt that says, 'Interview that massage therapist about why they love their job.' Boom—post it."

Pechacek also encourages her franchisees to engage in local civic activities. But since few franchisees relish the task of writing a speech, “[we] give them the actual script—exactly what to say,” she said.

Courtesy calls

Of course, the boutique approaches that Great Harvest and MassageLuxe have developed would be challenging to implement in a system that has 20,000 franchised locations instead of 200.

But according to Gary Stibel, most any CMO can foster a better working relationship with his franchisees by doing something that too many senior executives don't do: talk to them. “The biggest challenge is to remind those two sides that they aren’t in competition with one another,” he said. “They’re in competition with other chains.”

Stibel is in a position to know. As founder and CEO of the New England Consulting Group, he’s worked for major chains (“all of them,” he said) and for large franchisee organizations. Stibel advises all CMOs to make time to reach out to franchisees.

“Involve them all, so they feel like they’re part of the process,” she said. “Human beings rarely object to aligning behind any strategy if they've been consulted in the process. Meet with your franchisees early and often—not just your supporters—they’re already in your camp—but your outliers.”

Dunkin’ Names Leo Burnett Its Lead Creative Agency

The rubber stamp committee

Many CMOs would say they already do practice this type of outreach in the form of their company’s franchise advisory council, a group of operators chosen by the C-suite that—to cite the International Franchise Association’s definition—is “charged with enhancing communication, working together to improve the system and helping resolve challenges that impact the franchise system as a whole." By this standard, if a proposed promotion from the CMO's office secures a thumbs up from the advisory council, the brass assumes its franchisees are cool with it.

But Zarco is deeply skeptical of the setup. The councils, he argues, are too often made up of handpicked yes men whose approval means very little. If a CMO really wants the support of franchisees, he said, then the CMO should be willing to consult a true cross-section of his operators.

"Have the CMO make a business case for why this particular marketing program will work and how it benefits the franchisor, the franchise system and the franchisee," Zarco said. "And then invite these people to comment on why it's good or it's bad or it's both or it's not a question of degree, and ask them: 'How will this impact you?' And then listen—literally—and not shove it down their throat."

Gordon agrees with that advice, adding that CMOs should also find time to visit franchisees' units—not only to learn more about store-level economics, but also to observe how marketing initiatives translate into daily operations. "Get them into the field," he said, "so they could see how the sausage is made."

For his part, Cardinali can at least attest to how crispy chicken sandwiches are made. The experience of watching Popeyes franchisees execute his promotion in 2019 has given him much to reflect on. Asked what sort of advice he'd give CMOs these days, he said, "Communicate as much as possible. It's very important.

"I can have the best idea, the best innovation, the best product," Cardinali added. "But if it's very complicated for the restaurant, it's not going to happen. It's a marriage."