

Shared Space

Franchisees are taking advantage of co-branded and even tri-branded opportunities.

By Beth Mattson-Teig

Multi-brand locations are an attractive solution for franchisees looking to boost sales and squeeze more efficiencies out of their real estate.

Charlotte-based Driven Brands is moving forward with a new strategy to put all three of its automotive brands—Maaco, Meineke and Econo Lube—together in the same facility. “The logic behind it was that you could really provide all services for one customer at that type of business unit,” says Dave Schaefer, senior vice president of franchise development at Driven Brands.

Combining all three brands in one building capitalizes on cross-selling to existing

customers, and shares costs on items such as marketing, staffing and real estate. Although the idea looked good on paper, what has been key to moving the strategy forward are the deals Driven Brands has found in the slumping real estate market.

In particular, the franchisor is targeting vacant auto dealerships for its new 12,000- to 13,000-square-foot prototype. In 2008, a record 881 car dealerships closed around the U.S., according to reports. Many of those vacant dealership properties remain vacant and are available at steep discounts. Driven Brands has leased space for as low as 60 cents per square foot—five to six times lower than the going rate for equivalent space a few years ago.

The first franchisee-owned, tri-brand store opened in Summerville, South Carolina, in April 2011 in a closed Suzuki dealership that was only a few years old. Currently, Driven Brands has three tri-brand locations open and another three under development. “We haven’t

set a target, because it is so new, but it is definitely a program that we are marketing and that we believe in,” says Schaefer.

Real estate efficiencies

A key advantage to multi-brand stores is the cost savings of sharing physical space ranging from restrooms and walk-in refrigerators to parking. Some franchisees are finding they are able to combine brands with very little change to the physical size or layout.

For example, Häagen-Dazs and Nestlé now offer a “hybrid” franchise deal. “At the end of the day it is not necessarily a requirement that we have to double the size of the store or even increase by 50 percent,” says Ted Milburn, vice president, franchise development for Nestlé Toll House Café by Chip in Dallas. “We just need to have something that is going to function correctly and appeal correctly.” Typically, the Häagen-Dazs Nestlé Toll House Cafés require about 800-to-1,000 square feet of inline space.

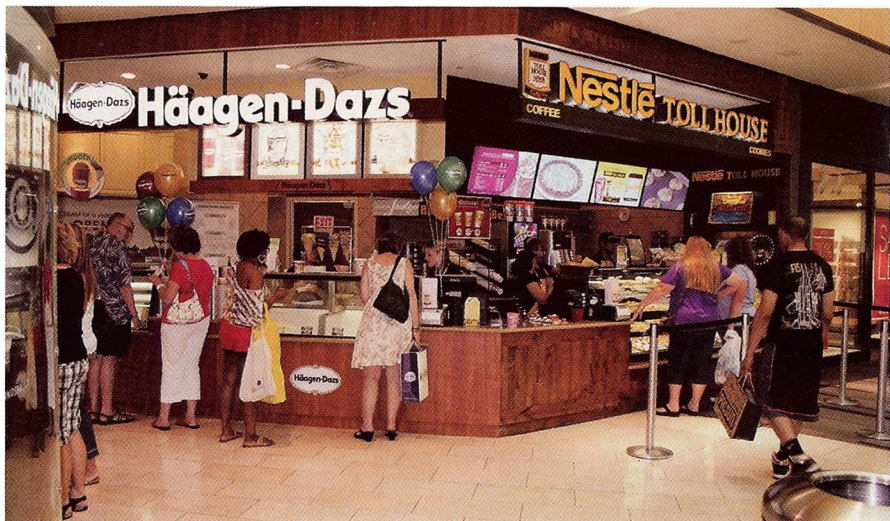
Twelve co-locations are open with another 12 stores under development. Working with existing franchisees who either own a Häagen-Dazs location and are looking to add the Nestlé Toll House Café or vice versa has been the focus. “We are trying to help our franchisees have an overall higher sales output from their existing real estate location,” adds Milburn.

Going outside the family

Franchisees have been exploring co-branded locations for years, and franchisors are responding to that demand with new opportunities—opportunities that help to spark franchise-system growth.

“Franchisees are looking to maximize efficiencies in the real estate. We do hear that very, very often,” says Gary Occhiogrosso, chief development officer at New York-based Trufoods—which co-brands with Pudge’s Famous Chicken and Ritter’s Frozen Custard.

Despite the advantages, franchisors do need to be mindful of potential risks. If the operator is not executing all brands flawlessly, the customer might be turned off by all three brands. In addition, the facility has to be capable of handling the different brands. “You don’t want



Häagen-Dazs and Nestlé have rolled out a dozen “multi-brand” locations, and are looking for existing franchisees of both brands to expand. Franchisors say they save money by sharing space.

to put a square peg in a round hole. So the facility has to be right,” says Occhiogrosso.

It is also important to combine brands that

compliment one another. One mistake that franchisors make is forcing brands together that don’t really make sense. **FT**