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CHICAGO FRANCHISE SYSTEMS

A REGIONAL RESTAURANT FRANCHISOR WANTING TO GO NATIONAL LOOKS LOCAL FOR MARKETING INSIGHTS

WHO: Chicago is known for hot dogs, pizza and Italian beef sandwiches. “I call it the trilogy of Chicago foods,” says Michael Stadnicki, director of franchising at Chicago Franchise Systems (CFS), which purveys two of those three famous foods via Al’s Italian Beef and Nancy’s Pizza restaurants. Al’s has been serving up the chain’s signature Italian beef sandwiches since 1938, while Nancy’s boasts the 1971 invention of stuffed pizza. CFS President Dave Howey purchased development rights to Nancy’s Pizza in 1990 and the rights to Al’s Italian Beef nine years later. Today, the franchisor has annual sales of \$36 million and licenses more than 40 Nancy’s restaurants and 20 Al’s restaurants in Illinois, Indiana and Georgia.

WHAT: The Tinley Park, Ill., franchisor is planning an aggressive expansion to 500 locations nationwide in the next five to 10 years. But before doing so, the company wanted feedback from a fresh perspective to help direct the expansion effort. Stadnicki, an undergraduate alum and part-time M.B.A. student at Chicago’s DePaul University, approached Harold Welsch, a DePaul management professor, with an idea for a third-party review conducted entirely by students. “We thought students would be a good outlet to really take a look outside of the box because we’re living inside the box,” Stadnicki says.

In the summer of 2008, students in Welsch’s undergraduate entrepreneurship course did just that. CFS provided carte blanche access to the company’s financials, marketing and business strategies, and training facilities. Students spent five weeks interviewing franchise owners, employees and customers at six Chicago-area restaurants. At the term’s end, the class submitted a final report detailing its recommendations.

The partnership provided a rare opportunity for students to look under the hood of two well-established brands, according to Welsch, who chairs DePaul’s entrepreneurship program. “It was very refreshing because they let us look at everything that we wanted to look at; there was no holding back,” he says. In return, CFS benefited from honest feedback and a thorough review that Welsch estimates would cost at least \$50,000 if done through consultancy and research channels.

HOW: Students approached the project as customers, embarking on mystery shopping expeditions to evaluate the customer service experience at Al’s Italian Beef and Nancy’s Pizza locations. Several students drew upon firsthand experiences of working in the restaurant industry, while others brought a major in marketing, for example, to the project. The class had one common characteristic: The students are in the company’s target demographic of 18- to 30-year-olds.

The class recommended social media marketing strategies relevant to their demographic, such as leveraging Facebook, MySpace or Twitter to target new customers, and monitoring customer reviews on sites like Yelp.com. Students also recommended using LinkedIn to connect with potential franchisees. Neil Feuling, a restaurant consultant, worked with Welsch’s class as a graduate assistant. After observing how plugged in the students were to these types of Web sites, he says their recommendations did not come as a big surprise.

Stadnicki says the restaurants have not taken full advantage of Internet marketing opportunities, though both offer online ordering. He says the project was educational because the franchisor learned about Web sites relevant to its target demographic and ways to increase its Web-based marketing efforts.

“The more effective we are with a viral marketing strategy, the more effective we’ll be with placement in Google and Yahoo [searches], and in search engines across the board,” Stadnicki says. “That really helps drive consumer traffic, not only to our Web site, but also to our restaurants.”

Students primarily focused on the company’s consumer marketing efforts. Franchisees contribute 2% of revenue to a system-wide advertising fund that is managed in-house. Stadnicki says the company encourages franchisees to use corporate-provided advertising, like coupons, radio and billboard advertisements. The franchise system also uses a tracking system to offer different coupons to customers based on their last visit to the restaurant. For example, a customer who has not ordered a Nancy’s pizza within 60 days will receive a more aggressive coupon than someone who ordered from the restaurant two weeks ago.

Welsch charged his class with thinking of marketing in a broader sense. During site visits, students

evaluated the appearance and cleanliness of restaurants, consistency of menu offerings, how the restaurants are designed and where they are located, the image projected and how employees interact with customers. The class made specific recommendations after noting discrepancies across different franchise locations. Some locations were using old signage and logos, for example, which corporate headquarters was already working to improve.

As the company grows, Stadnicki says it will focus on marketing to consumers who are unfamiliar with the brands and training new franchise owners to ensure their commitment to quality. The class came up with a slogan—Al’s All Stars—to help reinforce core company values during training exercises. Ultimately, though, the company needs to decide what it stands for and how best to reinforce this with franchisees, Feuling says.

CFS has yet to implement specific recommendations from the student review, but that does not mitigate the project’s success. Stadnicki says executives are evaluating the feasibility of increasing its online presence to target young consumers better, but he acknowledges that some recommendations, like creating television advertisements, are simply not feasible for the company.

The company is prudent to pause before overhauling business practices that have been in place for decades, according to Feuling. “They’re reaching out to grow but they also want to protect what they’ve created, and I think that’s really important,” he says.

Welsch says one axiom is particularly fitting for this project: An ounce of prevention is worth a pound of cure. Regardless of the specific changes the company makes, Welsch says open and honest feedback made the project an absolute success for everyone involved. He hopes to conduct a follow-up review with CFS or another company in the future. Feuling was so impressed and inspired by the project that he formed a student group, the Kellstadt Marketing Group, to encourage experienced marketers to collaborate with marketing newcomers in the DePaul community.

“That’s what bringing youth to a project does; it allows you to see a new way of using tools that maybe you didn’t really think about before,” he says. **m**

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