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\$4.95 March 2010
PROFITmagazine.ca



PM40070230

SUCCESS STORY



Cora Tsouflidou, founder of The Cora Franchise Group Inc.

SECRETS OF THE SUNSHINE GIRL

CORA TSOUFLIDOU'S COMPANY IS A ROLE MODEL FOR FRANCHISORS WHO WANT TO DELIVER SERVICE WITH A SMILE. BUT IS IT GOOD ENOUGH TO MAKE IT IN THE U.S.?

BY JOANNA PACHNER

Cora Tsouflidou saw her future on a placemat. The Quebecoise restaurateur owned two breakfast cafés when, one day, a salesperson came in to pitch her the concept of imprinting placemats with ads alongside the menu. Looking at a sample placemat, Tsouflidou saw, as if in a crystal ball, a map of the province crowded with Chez Cora locations. "Providence installed a chain of restaurants in my head," she recalls two decades later with a warm, mischievous laugh.

Tsouflidou has a knack for telling an inspirational business story, spiced with prophetic moments and head-smacking epiphanies. And she has the biography to support it: a 40-year-old mother of three, deserted by her husband, goes into the restaurant business to survive and sees it take off beyond her wildest dreams. In the 23 years since she began cooking breakfast for people outside her family, The Cora Franchise Group Inc. has grown to 114 corporate and franchised locations stretching across the country, and will finally reach the western edge this spring with the opening of its first British Columbia outpost.

Over that time, Tsouflidou, now chairman of the board, has performed marvels with the simple egg. "From the beginning, Cora's has been quite innovative," says

Douglas Fisher, a Toronto-based foodservice and franchise consultant, pointing to the artfully presented and quirkily named dishes loaded with wholesome ingredients to tempt the harried yet increasingly health-conscious masses. "The made-for-you concept, non-European-style breakfast has been one of the great success stories."

Cora's franchises (Chez Cora in Quebec) have defied the recession, with the network adding 16 locations last year and, as a result, sales growing by 17%. (Cora's doesn't reveal its revenue, but it's estimated at \$75 million to \$100 million chain-wide). And it's keeping its outlets profitable—only two have ever been shut down—even though they close in the mid-afternoon daily.

The plan calls for reaching 200 outlets within the next five years, then invading the U.S.—an often treacherous act that has tripped up many successful Canadian franchisors. With more than 3,000 people working under the Cora banner, the little café chain has emerged as a major national enterprise. But as the founder cedes more and more responsibilities to her son Nicholas and the family-run operation strives to replicate its homespun charm at ever more and distant franchises, will the chain outgrow its warm, neighbourhood vibe—and the Tsouflidou?



SUCCESS STORY



Nicholas Tsouflidou once washed floors at Cora's. Today, he's president

Just as the company itself did, every new dish begins its life in Cora Tsouflidou's kitchen. Located in an addition on the back of her sprawling house in the Laurentian hills north of Montreal, the room's centerpiece, fittingly, is a big wooden table that seats 16. "This is where I do my practice runs," says Tsouflidou—trying out new recipes in her two ovens and on a special crepe griddle. She even holds business-development meetings there. Also fittingly, a poultry motif dominates, from chicken figurines and various shades of yellow to a rooster weather vane perched atop her garage. On one kitchen wall hangs a sign that reads: "Happiness is a journey, not a destination."

Down-to-earth folksiness is a trademark of Cora's restaurants as well as the woman behind the brand. Before her husband left her with three teenagers to support, she was happy as a homemaker and mom. Forced to find work, she sold her house, moved the family into an apartment and,

in 1987, bought a shuttered, 29-seat café in the Saint-Laurent borough of Montreal. "I didn't know what I was doing when I bought that first snack bar," she recalls. And focusing on breakfast wasn't her plan. But, she says, "Breakfast chose us," as, within months, she realized that mornings were the restaurant's busiest period. At the time, there was little available in restaurants beyond bacon-and-eggs combos and pancakes. So, Tsouflidou decided to get inventive, concocting fanciful omelettes, pancake and crepe dishes, and garnishing everything with healthy dollops of fruit. She named items after customers who requested them—Samira Wake-up, Eggs Maurice—and decorated the place with bright, cartoon drawings and knick-knacks to create a homey, family atmosphere.

The café was a hit, with lines stretching out the door. In 1989, Tsouflidou opened a second Chez Cora in the Montreal suburb of Laval, while her kids ran the original snack bar. Less than a year later, she

Prospective Cora's franchisees must pass a psychometric test to ensure they're right for the job; 14 out of 15 fail it

opened a much bigger, third restaurant with a former colleague. "Then I started to be scared like hell," she recalls in her heavily accented and idiomatic English. But, she adds, "When I realized that we were able to duplicate ourselves, then I started to have a dream in my head."

By the early 1990s, Tsouflidou had served more than a million customers in eight restaurants—and had run out of family and friends with whom to partner on new venues. She hadn't thought of franchising until she was approached by a woman who wanted to run a Chez Cora as an independent entrepreneur, not a partner. "She said to me, 'Like McDonald's, lady. Do you think there's a Ronald McDonald in every one?'" Tsouflidou recounts.

In 1994, the first franchise opened, and over the next two years, with the help of a franchising consultant, the company moved fully to the franchise model. The restaurants' short operating hours—from 6 a.m. to 3 p.m.—initially concerned potential franchisees: is that enough time to generate sufficient sales to create a profitable business? But as more Cora's outlets opened, proving the concept's viability, the short hours turned into a major draw, promising to allow operators to have a family and social life in the evenings in an industry that typically demands very long hours. (See "Fabulous Ways to Grow a Franchise," below.)

By 2000, with 35 restaurants across Quebec, Tsouflidou wanted to tackle Ontario. Skeptics warned her the concept wouldn't work there because of the faster, more urban lifestyle. To see for herself, Tsouflidou spent

FABULOUS WAYS TO GROW A FRANCHISE

From picking the wrong partners to neglecting to support them, franchising is fraught with pitfalls that can decimate profitability and stunt growth. Here are six practices that have proven key to the success of The Cora Franchise Group Inc.:

Support franchisees with continuing coaching:

With 60 corporate employees, Cora's has a large staff for a company of its type and size. That's mostly because the chain has maintained a high ratio of field consultants to restaurants in order to provide franchisees with lots of support, says president Nicholas Tsouflidou, son of founder and chairman of the board Cora Tsouflidou. Foodservice franchisors typically have 25 restaurants per corporate manager, he says;

Cora's has 12. "We're a very hands-on operation, and we're very present in the stores," he says, "because the company grew very quickly and new restaurants need more support." Many franchisees have never run their own businesses, he notes, so they find it very reassuring to have Cora's representatives visit at least weekly to help with back- and front-office operations.



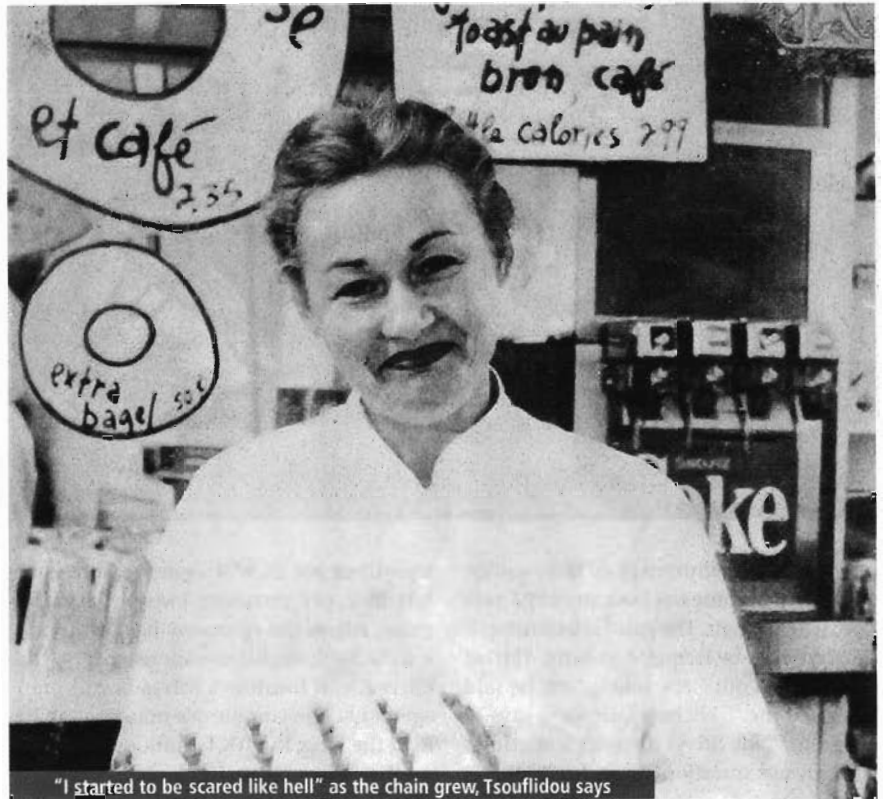
a few weeks driving around Ontario and eating in the Golden Griddle and Denny's chains to check out the competition. She concluded, with typical no-nonsense directness: "They eat the same things [in Ontario]. We're not in China."

Beginning right across the Quebec-Ontario border with an outlet in the Ottawa suburb of Nepean, Cora's opened several franchises in Ontario. It then moved into Atlantic Canada and gradually westward. Norman Friend, a franchising expert based in Vancouver, believes conquering the east first helped the company's eventual western expansion. "When something gains critical mass in the east, especially Ontario, it's easier to introduce it [in the west]," says Friend. "There's still the mentality that if it comes from Ontario, it must be good."

The decision to grow out from a core, colonizing one market before moving into another, was also smart, in part because of Canada's spread-out geography. "It's very hard to have a restaurant in Montréal and then open one in B.C. that's a five-hour flight away," says Fisher. "It's much better to carry your marketing from market to market, going to a larger and larger radius to get benefits from field-support staff and word of mouth."

As Cora's grew, Nicholas Tsouflidou took on an increasing role in managing operations. He was 14 when his mom opened her first restaurant, and he washed the floors after school. Within a year, he was working as a cook. By his early 20s, he was leading the group overseeing the opening of new locations. "The learning curve was a pretty stiff one," he recalls. "Other than doing the ski bum thing for a winter, [Cora's] is pretty much all I've done."

He was in charge of franchise expansion when the company encountered challenges in Ontario. At one point, management floated the idea of the restaurants staying open until 10 p.m. to better compete with Golden Griddle and others, but the franchisees balked and the idea was scrapped. The high real estate prices in Toronto per-



sued the Tsouflidou to establish a foothold in suburban Mississauga first, but the poorly chosen location didn't draw enough sales. Another venue was closed after customer visits dropped by more than half within a year. Nicholas won't go into specifics, but points to the franchisee's failure to "follow the model" of being closely involved in the business. "They opened the restaurant like an investment, put a manager in and thought the manager would solve any problems," he says.

One core appeal of Cora's restaurants is their home-away-from-home atmosphere, fostered in large part by attentive customer service. Operators are urged to think like small-town businesspeople, learning regular customers' names and habits. "If you come in for breakfast twice a week and always want black Earl Grey tea and enjoy reading newspapers, [the staff] should

When management floated the idea of its restaurants extending their hours till 10 p.m., franchisees balked

remember that and say, 'I'll try to find a paper for you,'" says Nicholas.

In 2002, Cora Tsouflidou told a newspaper that "Nicholas would be president-in-training for the next 15 years." As it turned out, she handed over the reins in less than half that time. Two years ago, the mom-and-son team forged a formal split in corporate functions, with Nicholas, as the company's president, taking on operations, training and network development, while Cora oversees finance and market-

Teach them that it's a people business:

Cora's puts high emphasis on helping franchisees manage their staff, as employee shortages and turnover are perhaps the biggest challenge in the restaurant industry, says Nicholas.

Only about half the franchisees have previous experience managing people and, like many restaurants, Cora's outlets hire lots of youth, who can be unreliable or tardy. So, the company has made a major investment in staff

education, including creating an online training system five years ago that uses video and enables new employees—who include many non-native English speakers—to more easily grasp the processes. A concluding questionnaire makes it easier for managers to determine whether employees are ready.

Make sure prospects know what they're getting into: The company maintains three

corporate restaurants, primarily as training sites for new franchisees. There, during three-day trials, prospective operators get a taste of what it would be like to run a Cora's outlet, while company managers evaluate their fit for the business. "Franchisees who come from a professional field are used to asking for something once and receiving it," says Nicholas, "and here they're dealing with employees, many of whom

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Cora's puts high emphasis on helping franchisees manage their staff

ing. It was a recognition of de facto reality: "He kind of became the boss anyway," says Cora with a laugh. The pair's relationship is characterized by frequent joshing. "I tried to push him out," she jokes, "but he said, 'You need me.'" Nicholas, in turn, says of his mom: "She drives me nuts sometimes with always questioning and re-questioning, but she does it so that we're doing everything the best way we can."

Their styles and talents complement each other. The 37-year-old Nicholas is much more methodical in his management approach—"He writes a manual for everything," says his mother—and she's more instinctive, visionary. "I dream of it," she says. "[A decade ago], I said to him, 'We need to go out from Quebec. You find a way to do it.'"

Cora Tsouflidou admits that ceding control hasn't been easy. "There's a little... mourning of power," she says, reaching for English words for a French expression. "All those years, I was making the final decision. But I knew this is what's needed. Taking that decision for me was the beginning of shifting the company from a family business to a professional business."

As her restaurants spread around the coun-

try—there are, or will soon be, Cora's outlets in every province except Saskatchewan, where the company has yet to find a suitable franchisee—increasingly, the 63-year-old founder's job is brand management. The company's mascot may be Kiwi the Frog, but it's Tsouflidou's smiling, motherly face framed by an old-fashioned grey bob that tempts consumers with a home-cooked meal from billboards and magazines. She has yet to miss the grand opening of a new restaurant. Last spring, she celebrated the opening of the 100th location, in Milton, Ont., cracking the first eggs for the now-traditional photo op.

The Tsouflidous say the recession has had little impact on the business, mainly because the restaurants' modest prices make the expenditure easy for consumers to swallow. According to Nicholas, fewer than 10% of the stores saw sales drop last year. And while banks have tightened financing for franchise operations, Nicholas says, the company hasn't been greatly affected. "Our hit-miss ratio [with new restaurants] is very good," he says. "And if a franchisee has financial difficulties, the head office will be even more present." A corporate consultant will help the operator assess whether food and labour costs have



The 63-year-old founder's job is increasingly brand management. She has yet to miss the grand opening of a new Cora's restaurant

rised too high and how to trim them, or address a drop in customers by investing in some local marketing.

The company's key focus this year is entrenching Cora's in B.C., where it faces different competitors, such as the De Dutch pancake chain with its 11 locations and White Spot, a West Coast institution that does brisk breakfast and lunch business. The Tsouflidous figure the province can support more than 30 outlets, and months before the first restaurant opened, they'd already hired a B.C. director of operations.

are young or have never had a job before." Others approach the franchise as a passive investment—a wrong-headed notion, he says: "You're buying yourself a good job, and you have to be there." Adds Cora Tsouflidou: "People know restaurants are busy, but when they get into the system and see all the details, [it can be overwhelming]... We provide the recipe, but they have to provide the atmosphere and the people skills."

Pick the right franchisees for the right reasons: Aside from the three-day trial in a corporate restaurant, potential franchisees undergo a psychometric test done by an outside firm. On average, it takes Cora's two months to evaluate a franchisee candidate, and only one out of 15 makes the cut, says Nicholas. Previous experience in the industry is a big plus, he says, but financial resources aren't a key metric. "Many times we'd have parents who'd come with their

adult children and would want to buy them a restaurant," says Cora. This tends to be a poor arrangement, she says, because the operators need to have a passion for the product. She won't shy away from posing nosy questions, such as asking a couple looking to open a restaurant whether they have ever worked together and how solid their relationship is. Franchisees are your partners, and you need to pick them



Cora's visionary style dovetails with Nicholas's methodical approach

Based on a demographic market analysis, the company sees room for about 100 more restaurants in Canada, a goal it hopes to reach within four to five years. But Nicholas has already started attending American franchising conferences and analyzing the competition stateside.

While the U.S. market is alluring, with its huge size and greater average profitability for restaurants, the Tsoufidous are treading carefully. Many successful Canadian chains have struggled with American expansions, including Swiss Chalet and Sir Corp., which runs Jack Astor's, Alice Fazooli's and other casual-dining brands. Not only are the bureaucratic and legal hurdles for franchisors more complicated, with every state having different disclosure and approval requirements, but breakfast is already a competitive and well served

market niche, says Jeff Elgin, CEO of FranChoice Inc., an Eden Prairie, Minn.-based franchising consultancy. However, the biggest impediment—and a good reason for Cora's to wait a few years before venturing in—is the tough financing market. "In the past 15 months, it has been impossible for franchisees to get financing," says Elgin. "All the banks exited that market in the last quarter of 2008."

When the time comes for U.S. expansion, the Tsoufidous say they'd consider partnering with another company or buying an existing chain to gain a foothold there. Until then, they're not interested in partners—nor do they need them, says Nicholas. "We've received many offers that we did look at, and it's very time-consuming. The way we're opening our stores, the franchise system kind of finances itself.

U.S. expansion won't be easy, says consultant Jeff Elgin, because "Breakfast is a competitive and well served market niche"

What we need is people [to open and staff the restaurants], not money." Then, with a glance at his mom, he adds, "I already have to defend all my actions to one person. Why would I want to have to do that with others?"

If the company keeps up its pace of growth, however, it will have to rely increasingly on outsiders, be they investors or professional managers. Aside from Cora's headquarters in Ste-Thérèse, Que., there is now a second corporate office in Mississauga, Ont. that directs the franchise operations. With ever more dispersed operations, retaining the brand's homespun image will become an increasing challenge for the Tsoufidous. "That's one reason why we provide a lot of operations support to the franchisees, to continue the same values," says Nicholas.

Still, the company is in the enviable position of not having a major competitive threat to worry about in Canada. "There are not many significant players in that market of breakfast and lunch over by 3 p.m.," says Fisher, pointing out that rivals such as Eggspectation and Boom Breakfast & Co. may be growing but trail far behind Cora's. "She is 100 units or more above her closest Canadian competitors."

And Nicholas, increasingly the power behind his mother's name and face, has inherited her cautious philosophy about expansion. "We don't spend what we don't have, and we go slowly and surely rather than run and stumble," he says. "We put 10 blocks on the bottom for every block on top. We want to make sure we're doing things right." ■

cautiously. "A heartbeat and money does not make a good franchisee," says Toronto restaurant consultant Douglas Fisher. "You need to find someone with the right spirit and dedication, even if you have to help them finance the operation."

Let your franchisees have a life: Cora's restaurants are open from 6 a.m. to 3 p.m., giving franchise

operators (as well as their staff) freedom in the evenings. This has been one of the biggest draws for prospective operators, says Nicholas: "When you get home, your kids won't call you 'uncle'—they'll call you 'dad'—and your dog won't bite you." Fisher says early or short operating hours can be a big advantage for franchisors. "[Cora's] sold lifestyle as part of the franchise package, instead of going for every possible dollar [by staying open longer]," he says. "Few chains

offer entrepreneurs an opportunity to have a family life. The restaurant industry sacrifices the employees as the cost of doing business."

Mind the gaps: It's a fine line between oversaturating and underserving a market. You don't want to cannibalize existing operators' businesses, but you don't want to leave openings for rivals. "If we don't open a second store," says Nicholas, "somebody else will." —JP