

EVERY BITE

**Schlotzsky's®**

LOTZ BETTER®

franchise kit



## Are you looking for a **LOTZ BETTER®** franchise opportunity?

Look no further than right here. Schlotzsky's® is a fun and unique fast-casual restaurant that offers a franchise opportunity with tremendous growth potential. We appreciate your interest in franchising with us and we are certain that this Franchise Kit will provide just enough information about our franchise program to get your research started.



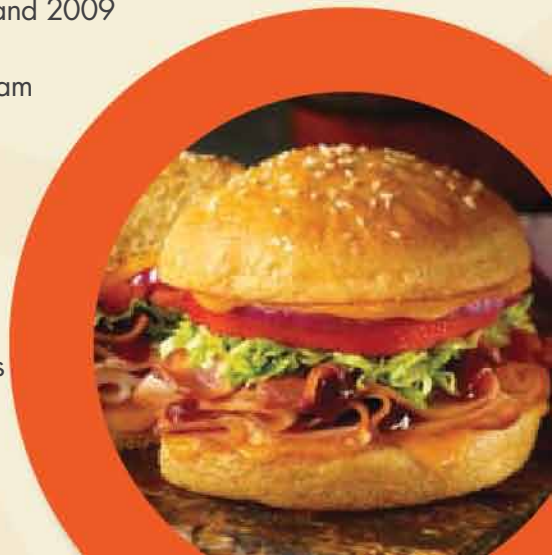
**SCHLOTZSKY'S FEATURES A GREAT MENU!** We continue to serve sandwiches on the same famous, Fresh-from-Scratch® bread that was created from an original recipe in the first restaurant that opened in Austin, TX in 1971. Rounding out the menu, we offer hungry customers fresh salads, pizza, gourmet soups and wraps.

With the help of amazing franchise partners and a recent reimagining campaign, our redesigned Schlotzsky's franchise system has grown to more than 350 restaurants around the world. While we think that our product, service and image are elements of which to be proud, the restaurant industry has certainly acknowledged the success of our brand and our franchisees. Schlotzsky's has recently received the following recognition:

- Ranked #22 in the 2012 *Technomic* Top 100 Fast Casual Chain Restaurant
- Ranked #64 in the *QSR Magazine* Top 100 restaurant chains in 2012
- Ranked #52 in the *FastCasual.com* 2011 Top 100 Movers and Shakers
- Scored a 7.7 on a 10-point taste scale in a 2011 *Consumer Reports* survey
- Included in the *Entrepreneur* Franchise 500® list in 2013, 2011, 2010 and 2009

How do we do it? As a world-class franchisor, our experienced and dedicated team provides comprehensive support to our franchise partners in every facet of their business including training, marketing, store development, supply chain, and operations. **Our main focus is maximizing franchise partner profitability.**

We are currently looking for qualified investors with desire to franchise Schlotzsky's restaurants throughout an entire territory or country. If you want to be a part of this **LOTZ BETTER®** franchise family, then we are excited to speak with you!



# SCHLOTZSKY'S® BRAND OVERVIEW



A lot has changed since 1971 in Austin, TX, when a small, rather informal restaurant was selling from a menu that had only one item...a one-of-a-kind sandwich named The Original®. It became the home of this unique sandwich; an addicting flavorful creation with a truly unique combination of 13 ingredients not found in any other sandwich.

What really sets the Schlotzsky's sandwiches apart from our competitors is our bread. It is round and it is delicious. In every location, each and every day, it is baked to perfection Fresh-from-Scratch®, which means that on the same day we are making dough, we are baking bread. It is that kind of dedication that has rewarded our passionate guests with great sandwiches for more than 40 years.

## **What does *Lotz Better*® mean today?**

Schlotzsky's is leveraging the core strengths that have been built over the last 40 years and is now looking to elevate them to another level. Our five-year, ten-year, and fifteen-year strategies are piloted by our commitment to promote and prioritize these five main beliefs:

- ***Lotz Better* Culture**

We boast a corporate culture with a solid foundation in franchisee-centric and guest-centric vision.

With this vision and belief to guide our decisions, actions, and deliverables, we are striving every day to make a positive impact towards increasing the bottom line profitability for Schlotzsky's operators.

- ***Lotz Better* Business Model**

From floor-to-ceiling, to the back-of-the-house, to the front door, Schlotzsky's management and associates embrace a personal and professional creed that says, "if anything in our operation is not what we consider to be *Lotz Better*, we are committed to making it right." This conviction influences all that we do: site selection, restaurant operations, training and partner development, menu analysis, marketing campaigns, controllable costs, franchisee selection...everything.

- ***Lotz Better* Marketing & Positioning**

The Schlotzsky's brand is ideally positioned in the quick casual segment and can stake a resonating claim to being *Lotz Better* when compared to our competitors. We have a trained focus on doing those things that bring new and returning guests to our restaurants in greater numbers. We continue to execute innovative marketing initiatives in the areas of customer service, promotional campaigns, catering, local restaurant marketing and more.



# SCHLOTZSKY'S® BRAND OVERVIEW

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- **Lotz Better Re-Image**

This is an exciting time for Schlotzsky's and our franchisees! Our *Lotz Better* re-image initiative and roll-out has been completed across the USA. Every aspect of the brand has been redesigned and re-imaged, including packaging, front-of-house, dining areas, advertising and marketing campaigns and much more.

- **Lotz Better Growth**

Schlotzsky's is positioning itself for smarter, more logical location growth, with supply line, advertising, and distribution considerations in mind. We're looking for experienced multi-unit operators who will help grow their markets and the Schlotzsky's system as a whole.



# SCHLOTZSKY'S® FRANCHISE PROCESS



## *The Sweet Taste of Success is Within Your Reach*

### **Step One – Complete the Schlotzsky's International Request for Consideration Form**

#### **Step Two – Prequalification**

Once we have received a completed Request for Consideration form, we will initiate contact shortly thereafter, by telephone or by email. At this time, we will talk about the general qualification requirements, both financial and operational, as well as the availability of the selected territory of interest.

#### **Step Three – Formal Qualification**

During this step we will examine and confirm the potential for our brand within the selected market, as well as to verify your financial capability. We will also work with you to achieve alignment on your preliminary business plan.

#### **Step Four – Face-To-Face Meeting**

Every international franchise candidate schedules a visit to our company headquarters in the United States to meet key personnel within the International Department. An additional face-to-face meeting will also take place with you within your selected market, attended by a representative from the International New Business Development team.

# SCHLOTZSKY'S® FRANCHISE PROCESS

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## **Step Five – Presentation of Commercial Terms**

In this step in the process, we present market-specific commercial terms to you for your review and agreement.

## **Step Six – Presentation of the Memorandum Of Understanding (MOU)**

Once we have received agreement of commercial terms, we prepare a formalized summary of those terms in the form of a Memorandum of Understanding (MOU) and present it to you. You will then sign the MOU and prepare payment for 10% of the agreed upon Territory Fee. After execution of the MOU, formal versions of the Territory Agreement and the International Multi-Unit Franchise Agreement (IMUFA) are drawn up, including the specific terms of the deal from the MOU.

## **Step Seven - Review and Signing of the Agreements**

After your review and approval of the Territory Agreement and IMUFA, the formal agreements are then signed and returned to us, and, at that time, the remainder of the Territory Fee is paid.



# FINANCIAL REQUIREMENTS



FOCUS Brands International negotiates Territory Agreements ranging from a minimum of five, to over one hundred locations. Because of the potential range of scheduled growth and country-specific costs, financial requirements will vary but are commensurate with the scope of the proposed project.

As an example of the financial capability required, for agreements that are written for the opening of only five locations, we expect that you will have sufficient liquid assets to finance the first two locations completely, plus have the capital to fund the next three locations at 50% of the overall cost.

When the number of locations increases for larger territory commitments, we will expect that your financial resources will be adequate to propel your operation beyond its first three (3) years.

We expect that, aside from the funding required for the development of retail locations, you will additionally incur expenses that are associated with building an infrastructure to support your store operations.



# FEE STRUCTURE & INDIVIDUAL LOCATION INVESTMENT



- **Master Franchise Fee and Exclusive Territory Fee** – The amount of this fee is determined by valuating each market independently
  - Ten percent (10%) of the fee is paid upon signing of the MOU
  - The balance of the fee is paid upon signing of the Territory Agreement and the IMUFA
- **Franchise Fee** – This fee is paid upon the opening of each franchised location
  - USD \$25,000 per location for Full-Sized Store locations
- **Royalty Rate** – Six percent (6.0%) of gross sales, payable monthly
- **Advertising & Marketing Fund** – One percent (1.0%) of gross sales, payable monthly
- **Investment on Individual Locations** – The investment level required to open each individual location will vary from country to country



# INTERNATIONAL FRANCHISE SUPPORT SERVICES



The operating spirit of the relationship between Schlotzsky's® corporate employees and the franchise partners in the field is one of mutual respect and collaboration. Schlotzsky's has a fully-staffed support services team whose members are dedicated solely to providing assistance and expertise to franchise partners in our global expansion efforts. Collectively, our international team has amassed nearly 325 years of experience in building food service brands worldwide and currently operate from posts in more than 12 countries.

## Operations

- Initiates new country launches by facilitating startups with training and operations support
- Administers advanced training programs
- Evaluates franchise operations and assist franchise partners in the development of action plans
- Provides ongoing monitoring of franchise partner growth and progression through development plans
- Acts as the primary liaison for Research & Development on product development and testing, and quality control and inspections
- Requests additional services from other departments when needed by franchise partner
- Leads initiative for development of personnel to assist franchise partner companies

## Supply Chain

- Ensures compliance of suppliers and distributors within the network
- Assists with distribution network relationships and negotiates distribution agreements
- Addresses issues and requests regarding products, packaging, costs, and distribution
- Conducts efforts to secure regional sources of product, as well as their distribution
- Establishes supply chain for new regional markets

## Marketing

- Provides access to a comprehensive, high-resolution product image library
- Assists in core menu development and pricing strategies
- Assembles Local Store Marketing (LSM) toolkits
- Facilitates Research & Development projects for local product introductions
- Sales trend analysis and guidance

# INTERNATIONAL FRANCHISE SUPPORT SERVICES

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## Development Services

- *Architecture Support* – Develops concept packages, assists local architects with construction plans and conducts construction document review
- *Construction Support* – Assists in orienting local general contractors on brand standards, acting as a consultant throughout the construction process
- *Real Estate Support* – Provides training to partners on site characteristics, reviews site evaluations and monitors site inventories
- *Furniture, Fixtures & Equipment Support* – Assists in the assembly and tracking of orders and monitors vendor relationships
- *Image Support* – Provides training to franchise partners on image standards and expectations

# FREQUENTLY ASKED QUESTIONS



## **Do I need previous restaurant or franchising experience to become a Schlotzsky's® franchise partner?**

While we do prefer you to have previous experience, it is not required. NOTE: Having previous experience does not replace our Restaurant Management Operations Training.

## **Is Schlotzsky's offering single and multi-unit opportunities?**

No, We are seeking only those qualified candidates who are able to open multiple franchised locations.

## **What are the initial franchise fee and royalty rate?**

- *Initial Franchise Fee*
  - USD \$25,000 per location
- *Royalty Rate*
  - 6.0% of gross sales, payable monthly

## **How much do I have to contribute to Schlotzsky's advertising and marketing?**

You must contribute 1.0% of gross sales, payable monthly to the Advertising and Marketing Fund.

## **What type of training will I receive as a new Schlotzsky's franchise partner?**

- *New Franchise Orientation Program (NFOP)* – A high-level program with a duration of two to three days that is held at the FOCUS Brands corporate support center in Atlanta. This program is designed for the owners and top executives of the new franchisee company.
- *Owners' Training* – A three to five day, hands-on introduction to restaurant operations for owners and top executives of the new franchisee company.
- *Restaurant Management Training* – A comprehensive two to three week program that is held in Schlotzsky's headquarters in Austin, Texas. The program includes both classroom and in-store training and is designed to prepare the operations executives and managers to open and successfully operate a restaurant.
- *Grand Opening Assistance* – Schlotzsky's will provide a representative to be present at the opening of your first two stores for up to ten working days each to assist and support the opening.
- *Ongoing Training* – In-market training and operations support visits from our corporate staff and regional operations team.

# FREQUENTLY ASKED QUESTIONS

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## **Does Schlotzsky's offer financing?**

No. We do not provide financing assistance.

## **How soon can I expect my Schlotzsky's restaurant franchise to open?**

The opening of each new Schlotzsky's franchise varies based on the restaurant's size, as well as its location.

## **Where are Schlotzsky's restaurants generally located?**

You will usually find Schlotzsky's restaurants in heavy-traffic locations, such as high-streets, malls, university food courts, airports and travel plazas.

## **Will I have an exclusive territory?**

Yes. You will have an exclusive territory that will be defined per the terms of your Territory Agreement.

## **Will I receive guidance on purchasing?**

Yes. We provide initial and ongoing support in supply chain. Schlotzsky's has a preferred U.S. vendor program that covers all aspects of opening your franchise. Additionally, we support efforts to source items locally.

## **Will there be any help with site development?**

Yes. We provide assistance and support for site selection, layout, design, and the construction process.

## **Will I receive assistance in planning a Schlotzsky's franchise grand opening?**

Yes. Every opening receives our support in training, operations marketing and public relations.



# Why Schlotzsky's®?



- We offer territory development opportunities for entire regions and countries
- We are under franchise-focused ownership with corporate-owned locations in several markets
- We have more than a 40-year history and following for our line of oven-toasted sandwiches
  - We have rolled out a Lotz Better® restaurant re-design across the entire system
  - We have implemented Lotz Better® Table Service – unique to this market segment
    - Ranked #52 in the *FastCasual.com* 2011 Top 100 Movers & Shakers
    - Scored 7.7 on a 10-point taste scale in a 2011 *Consumer Reports* survey
- Included in the *Entrepreneur* Franchise 500® list in 2013, 2011, 2010 and 2009

*Our sales team will be in touch shortly, but if you are  
anxious to get started, please call or email us:*

**Our telephone number in the USA:**

+1 404-257-7051

**Emails may be sent to:**

[franchiseinternational@schlotzskys.com](mailto:franchiseinternational@schlotzskys.com)

# FREQUENTLY ASKED QUESTIONS

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**The Schlotzsky's® Franchise is offered by SCHLOTZSKY'S FRANCHISE LLC**

*(a Georgia limited liability company)*

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