



The Franchise Valuations Reporter



Featured Expert: Mark Siebert



This month's lead article features Mark Siebert, CEO of iFranchise Group (www.ifranchisegroup.com) who offers his analysis of how one successful franchisor improved profits AND franchisee satisfaction by embracing a program of multiple revenue streams. A franchise consultant since 1985, Mr. Siebert founded the iFranchise Group in 1998 as an organization dedicated to developing long-term relationships with successful franchisor clientele. He has personally assisted over 30 Fortune 1000 companies and over 500 start-up franchisors

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Our Expertise

Within the franchise, distribution and dealership context, we are experts in:

- Damages, Valuations & Expert Testimony
- Finance, Accounting and Tax
- Cyber Security and E-discovery of Electronically Stored Information



HoneyBaked Ham Company and Café: A Case Study

Incorporating Multiple Revenue Streams for Franchisee Growth

In an article prepared for *The Franchise Valuations Reporter*, Mark Siebert says, "The key to success in franchising has always been the success of the franchisees. Without successful franchisees, any franchise system is doomed for eventual failure. So, what can a franchisor do to help improve franchisees' revenues and profitability? The HoneyBaked Ham story provides an interesting example of how one franchisor did it."

From its start in 1957 as a premium food retailer of slow-smoked, spiral-sliced hams, today HoneyBaked has expanded to over 400 retail outlets half franchised, half corporate-owned, offering what Siebert calls "the three C's": Carryout, Café and Catering.

Mark notes: "Over the course of nearly 60 years in operation, including a generation of franchising, the concept has incorporated multiple revenue streams beyond the cornerstone hams that originally built the brand. In large part, HoneyBaked Ham's flexibility and willingness to adapt is a big reason why the brand remains relevant today."

How HoneyBaked Ensures Franchisee Support For Shifts in Marketing, Promotions and Procedures

Mark writes: "[T]he company's franchise team has identified three questions for franchise systems to ask themselves when evaluating revenue streams.

1. *Are all current programs being embraced and maximized by the franchise system?*

This is important to ask because, before introducing additional products or services, it's crucial to make sure franchisees have a deep understanding and embrace the current mode of operation. If the system as a whole isn't maximizing the current products and programs in place, it may not make sense to introduce something new. The focus may instead need to be on adjusting and improving the current model.

2. *Does your franchise witness successful unit and annualized unit volume (AUV) growth?*

It's critical to analyze whether stores are consistently growing and if they're profitable year over year. A healthy system adds units through new franchisees and existing owners opening additional locations.

3. *Do you have a system of satisfied franchisees?*

It's imperative to continuously survey, meet with and determine the satisfaction level of franchisees. In HoneyBaked Ham's experience, the franchisee community has always been its best source for feedback. No additional revenue stream will take off without the collaboration and blessing of your dedicated franchisees."

We offer a free initial consultation. If any readers have questions, you are welcome to email or phone us and we will provide our best answer as quickly as possible.

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Franchise Technology Risk Management



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Please visit our websites at

[Here is the full text of Mark's article.](#)

The IRS: Warnings for Tax Season

Documents, Phone Scams Continue To Be Serious Threat, Remain on IRS "Dirty Dozen" List of Tax Scams

Aggressive and threatening phone calls by criminals impersonating IRS agents remain near the top of the annual "Dirty Dozen" list of tax scams for the 2015 filing season, the Internal Revenue Service announced. The Service has seen a surge of these phone scams in recent months as scam artists threaten police arrest, deportation, license revocation and other things. The IRS reminds taxpayers to guard against all sorts of con games that arise during any filing season.[1]

"If someone calls unexpectedly claiming to be from the IRS with aggressive threats if you don't pay immediately, it's a scam artist calling," said IRS Commissioner John Koskinen. "The first IRS contact with taxpayers is usually through the mail. Taxpayers have rights, and this is not how we do business."

The IRS reminds people that they can know pretty easily when a supposed IRS caller is a fake. Here are five things the scammers often do but the IRS will not do. Any one of these five things is a tell-tale sign of a scam.

The IRS will never:

- Call to demand immediate payment, nor will the agency call about taxes owed without first having mailed you a bill.
- Demand that you pay taxes without giving you the opportunity to question or appeal the amount they say you owe.
- Require you to use a specific payment method for your taxes, such as a prepaid debit card.
- Ask for credit or debit card numbers over the phone.
- Threaten to bring in local police or other law-enforcement groups to have you arrested for not paying.

New Phishing Scam Lures Return Preparers To Reveal EFINs

The IRS has warned tax professionals about a new email phishing scam designed to trick them into revealing their e-services portal information and Electronic Filing Identification Numbers (EFINs). Scammers send bogus emails containing links that, if clicked, will capture the preparer's e-services username and password and/or EFIN. Scammers can use this information to file fraudulent tax returns claiming false tax refunds.

The IRS stressed that if preparers receive such an email, they should realize it was not generated by the IRS and disregard it. The IRS does not request personal or financial information from taxpayers or preparers by email, text message, social media, or other electronic communication.

IRS OPR Reviews Practitioners' Use Of Form 1099-C, Cancellation Of Debt, As Collection Tool

The IRS Office of Professional Responsibility (OPR) recently reviewed the implications under Circular 230, Rules of Practice, for a tax professional who, as an alternative to pursuing collection of an earned fee from a client, proposed to file with the IRS a Form 1099-C, Cancellation of Debt, reporting the amount of the client's unpaid bill as a discharged debt.[2] We have seen this repeatedly in the stock brokerage business where collection of interest-free loans from departing registered representatives is a standard practice.

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This occurs in many franchised financial firms as well, and franchisors are also likely to threaten or issue 1099s. Practitioners, OPR cautioned, must use an appropriate level of care and thought in submitting forms or other documents to the IRS or to a client, compatible with the letter and spirit of the regs governing practice.

OPR carefully noted, "We are not opining that the facts as described herein constitute a violation of the law or regulations governing practice before the IRS. Such a determination is always a matter of facts and circumstances, including the presence or absence of conduct that was willful, grossly incompetent or a reckless disregard of the rules and regulations."

Underfunding and Demonizing the Service

Well, the results are all in and the story is depressing. After years of being demonized and having its funding cut off, the number of audits conducted by the IRS has dropped off dramatically. What that means is more crooks get away with tax evasion; it does not mean the little people get relief from oppression. It means the revenues collected by the nation's "fisc" go down at a time when the government is laying off personnel and certainly not flush.

In our opinion, instead of this stereotyping of supposed mistreatment, there ought to be a thank you extended to the Service just as there ought to be a thank you extended to franchise regulators. Demonizing all government workers is idiotic; if there are bad apples get rid of them. It makes no sense to insult these people as a class - without them the government would simply come to a stop. So we at Franchise Valuations say thanks to the IRS and the regulators for doing the best job they can (though, granted, perhaps with some exceptions).

[1] Internal Revenue Service,(Jan. 23, 2015) ADVANCE RELEASE Additional information about tax scams is available on IRS social media sites, including YouTube <http://www.youtube.com/irsvideos> and Tumblr <http://internalrevenueservice.tumblr.com>, where people can search "scam" to find all the scam-related posts.

[2] OPR Alert 2015-02

The Rise in State Tax Refund Fraud

Intuit: Anti-fraud Improvements by IRS Fuel Up To 3700 Percent Rise in Phony State Filings

Once again the intrepid reporter Brian Krebs has exposed a horrifying truth. Scam artists stole billions of dollars last year from the U.S. Treasury by filing phony federal tax refund requests on millions of Americans. But as Uncle Sam has made this type of fraud harder for thieves to profit from, the crooks have massively shifted their focus to conducting refund fraud at the state level.

Or at least according to Intuit Inc., the makers of TurboTax: The company says it believes that shift is responsible for a *whopping 3700 percent increase in fraudulent state tax refund filings this year in some states.*

[Read Krebs' entire post here.](#)

Cybersecurity

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