

## Hot Innovator

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### Inspiring growth, loyalty and a little bit of fear

Friday, 30 January 2009

Last Updated: Thursday, 29 January 2009

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**John and Bill Fotiadis, the founders of franchise fast-food chain Souvlaki Hut, have taken a novel approach to franchising, but their franchisees couldn't be happier. They explain why they are pushing ahead with expansion despite the downturn.**

The downturn is a frightening time for franchisees and particularly prospective franchisees. Logic says that franchisors need to be reassuring, compassionate and understanding.

But John and Bill Fotiadis, founders of franchise fast-food chain Souvlaki Hut, are taking a very different approach with their franchisee candidates.

"We like to scare them," Bill says.

"We really push them in the interview process. We ask them: 'What if you lose your money?' and 'What if you lose your house?'"

The pair say the approach has probably slowed the growth of their business – in 2006, they knocked back 28 candidates after the interview products.

"For us it was the equivalent of \$1 million worth of franchise fees, but we need the right people," Bill says.

But the brothers' novel approach to franchisee relations appears to be effective. Last year Souvlaki Hut was named as Australia's top franchise by marketing firm 10 Thousand Feet, which ranked 50 franchise systems according to franchisee satisfaction levels.

The two also chalk up the win to being accessible.

"Our franchisees are our customers and partners, and can call us up at any time. There was one time where a franchisee called me up at 11pm and couldn't figure out something on the computer. I drove over and fixed it in about thirty seconds, but it was worth it to keep that communication," John says.

Despite the looming recession, many fast-food companies are doing well.

Bill says the company's revenue reached \$8.5 million for 2007-08, and is likely to be just under \$20 million for 2008-09. The



chain now has 22 outlets, all of which are franchised. There are two company stores in construction at the moment and the brothers want to have 40 stores by the end of 2009.

The pair have no intention of cutting back during the downturn. The franchise has introduced both television and radio campaigns encouraging families to eat in at its stores and has also introduced a "kids eat free" promotion.

"You would think business might be hurt with that type of marketing, but honestly, the families have just been running through the door. You've got to be in people's faces, especially in a downturn. People have still got to eat," Bill says.

"Families have spent on average \$8 or \$9 dollars per person, they're happy to pay that. Remember that it's fillet and lamb, it's not a roast chicken or a pizza you can buy anywhere."

The pair established the franchise in 2004. John had worked manager in a superannuation company and Bill had worked in food manufacturing. The pair became convinced customers were growing tired of minced beef products in the fast-food sector and saw a chance to build a franchise chain. Their plan was to offer a low cost alternative with the majority of items under \$10.

"We spent a lot of time overseas and with research companies here in Melbourne. We found chicken was on the rise, and people were moving away from the minced beef burger. We also noticed a lot of businesses were entering with pita products. The time was right," Bill says.

But the pair chose what they call an "unusual" location for the chain's first store.

"Rather than a destination point on a highway, we put our first store in the back of a housing estate," John says. "We felt this was our target market – that is, families - and the impact wouldn't be as great if we failed."

"Where we put the store, everything was dying off. The Charcoal Chicken, the pizza shop... it was the perfect test," Bill claims. "We could market ourselves next to them. Everyone that came there said we are crazy for spending in an area like that. Half of it was paddocks – now there's a supermarket."

But the two say if they could start the business again, things would change.

"We'd definitely look at the size of the store again. You have to create that ambience in the restaurant where people like to come in and sit down. Smaller stores push them away sometimes," John says.

"I think the transition from the corporate world into retail world was a big challenge. It's so different and you really need to be aware of that. Dealing on a face-to-face level with customers, standing up all day – that type of business is hard, and really draining."

The two also say they underestimated the type of personality required for a retail business.

"Over the phone you can hide the way you're feeling. But when you're face to face, your body language is a big deal and people can tell if you're not being true to what you're saying, so I had to be aware of that," John says.

"Remembering people's names, having conversations and so on...you need to have that sort of intimate relationship with your customers. I always felt that was a big challenge."

The pair eventually hopes to take the chain overseas, but for now they will concentrate on growth in Australia and keeping up their slightly unusual relationship with their franchisees.

"Last week, we helped out in a store when they were short-staffed. We went down and found ourselves in aprons in the kitchen. But that's life."