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Long Island McDonald's franchisees face industry challenges, changes

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Three McDonald's franchise owners on Long Island are taking over the operations from their parents, entering an iconic business at a time when the fast-food giant faces challenges from declining

sales, changing tastes and demands for higher wages.

Steven Frazier, Katie Hunt and Josh Kaufman are following their parents as owner-operators of McDonald's franchises. They now collectively own and operate 42 of Long Island's 82 McDonald's restaurants, and employ more than 2,300 people. The three are members of the in-

ternational business empire's "McFamily," as McDonald's calls it, of more than 3,000 U.S. owner-operators. More than 80 percent of McDonald's restaurants worldwide are owned and operated by franchisees.

Long Island's franchise owners take the family concept seriously. "We are a family even though we are independent of

each other," said Katie Hunt, 34, of Upper Brookville, who with her father owns 27 locations, the largest McDonald's operation on Long Island, and employs about 1,500 people.

Out of the Long Island McFamily, Frazier, Hunt and Kaufman are especially close, having met each other at local meetings when they were young adults.

All three serve on a McDonald's cooperative board that allots local advertising money, and represents more than 600 restaurants in the metro region. They had heard about each other growing up: "We all knew who each other was," said Kaufman, 35, of Huntington. "We push

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IT RUNS IN THE FAMILY

McDonald's franchise owners take the reins from their parents

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each other to be stronger."

They say they aren't finished expanding their businesses: "We are always looking for new sites and opportunities for growth," Kaufman said.

McDonald's Corp., the world's largest restaurant chain, has about 36,000 locations across more than 100 countries. But the Oak Brook, Illinois-based company faces intensifying competition from chains such as Chipotle Mexican Grill and Shake Shack that consumers perceive as having better quality and healthier food.

"McDonald's is the true American success story," said Martin Lewison, an assistant business management professor at Farmingdale State College. "The thing is that things don't stay the same for long."

Going in new directions

To appeal to health-conscious customers, the company has offered an egg white sandwich, simplified its grilled chicken recipe and curbed the use of antibiotics in chicken. It plans to expand a program that lets customers build their own burgers by ordering from a touch screen.

Frazier, Hunt and Kaufman said they are prepared for the challenges of a new era, noting their average employee wage is already well above the minimum, and that they applaud the company's menu changes.

"McDonald's is really coming a long way and going in the right direction," said Hunt, adding that she eats at the burger chain about four times a week.

McDonald's began in 1940 as a barbecue restaurant operated by brothers Richard and Maurice McDonald. The company dates its founding to the opening of a franchised restaurant by businessman Ray Kroc in Des Plaines, Illinois, in 1955. Kroc eventually purchased the chain from the McDonalds and oversaw its worldwide growth.

On April 22, the company re-



Steven Frazier, now 32, of Huntington, a McDonald's next-gen franchisee, with his dad Lloyd Frazier, a former McDonald's owner-operator in Manhattan and Jericho who died in 2006.

COURTESY STEVEN FRAZIER



COURTESY KATIE HUNT

“My dad started in 1961 as a crew person and worked his way up. He didn't even graduate high school. This was his dream in life.”

— Katie Hunt, 34, of Upper Brookville, who with her father, Peter Hunt, owns 27 locations, the largest McDonald's operation on Long Island

ported that its global comparable sales declined 2.3 percent during the first three months of the year, including a 2.6 percent drop in the United States.

Locally, the sales trend is better. "Long Island is experiencing a higher level of success compared to the U.S. system," Kaufman said. "We expect we will deliver sustained growth in sales and transactions."

Owning a McDonald's restaurant is a "golden ticket" because it is a highly profitable business, said Ken Stein, managing director of Roslyn Heights-based merger, acquisitions and

franchise sales firm The Kensington Company. "They stay in the family. They are usually passed on, be it the children, or cousins or nephews or nieces."

Parents can decide to give full or partial control of a franchise to children as a gift, or sell it to them. Still, the children need to be approved by McDonald's to run a franchise, said Paul Facella, of Long Beach, a former McDonald's regional vice president and author of "Everything I Know About Business I Learned at McDonald's."

Buying a restaurant can cost \$750,000 to \$1 million or more,

although the price varies depending on whether it is a new or existing location, Facella said. An initial down payment of 40 percent of the total cost for a new franchise is required, or 25 percent of the total cost of an existing restaurant. McDonald's requires a minimum of \$750,000 of non-borrowed personal resources to consider someone for a franchise.

Once franchisees are approved, they pay monthly rent and a 4 percent monthly fee based on the restaurant's sales to McDonald's Corp. Last year, the average McDonald's restau-

rant generated \$2.5 million in sales, according to industry tracker Technomic.

"You will give up a little of your entrepreneurial spirit, but in exchange you are going to have a system that has been established," said Stuart Levenberg, director of franchise sales for The Kensington Company.

The next generation

As part of the approval process, Frazier, Hunt and Kaufman, like all franchisees, completed nine to 18 months training in a nearby restaurant and attended training classes at Hamburger University at McDonald's headquarters to learn about running kitchen stations, opening restaurants, management and equipment repair and other topics.

"There is probably a little more lenience with an existing franchise owner's daughter and son, because they already know them," said Facella, who was one of the executives who approved McDonald's franchisees in the metropolitan region.

Hunt owns and operates three McDonald's restaurants in Nassau County and 24 in Suffolk County with her father, Peter Hunt.

"My dad started in 1961 as a crew person and worked his way up," Hunt said. "He didn't even graduate high school. This was his dream in life."

At age 16, her first job was as a cashier at her father's Plainview McDonald's. After graduating in 2002 from Lehigh University in Pennsylvania with a bachelor's degree in journalism, she asked her dad for permission to rejoin the family business. The Bay Shore native became an approved owner-operator in 2007.

Originally, "I actually didn't want to be involved in the family business," Hunt said. "I worked in retail, restaurants, children's studios and taught horseback riding lessons for a while. When I graduated college, I got involved with the marketing side then went into the operations side because that is where my passion is. I

From left, franchisees Josh Kaufman, 35, of Huntington, Katie Hunt, 34, of Upper Brookville, and Steven Frazier, 32, of Huntington, at Hunt's Plainview McDonald's.



love the kitchen, I love the production and I love the food."

Kaufman owns 14 restaurants, all on Long Island, and employs about 800 people. His grandfather, Irv Klein, purchased his first McDonald's franchise in East Northport in 1960 and then acquired more.

Kaufman's father, Jonah Kaufman, who married Klein's middle daughter, went to work for his father-in-law in 1977 and took ownership of 12 stores in 1996. Kaufman received his bachelor's degree in journalism from Boston University in 2001 and his master's degree in education from Fordham University in 2003, and has worked as a waiter and middle school teacher. He started the process of becoming an owner-operator in 2005. He was approved in 2008, and now co-owns McDonald's restaurants with his father as they work on a transition plan.

"I worked for about three years in the stores as part of the next-generation approval process," said Kaufman. The stores were "not something that my dad could just give to me."

For Frazier, 32, of Huntington, becoming an approved

franchisee in 2008 was especially moving because his father, Lloyd Frazier, died of lung cancer in 2006.

His father owned three McDonald's restaurants in lower Manhattan, including the Chambers Street location that after the Sept. 11 attacks became known as "Hotel McDonald's" when firefighters and police officers slept and were fed there. "After 9/11, my father had enough of being in the city and decided to come to Long Island," Frazier said.

Frazier worked as a teen at his father's restaurant and even-

tually landed at the White Post Farms petting zoo in Melville for nine years, where he did several jobs moving up the ranks. In 2005, the Walt Whitman High School graduate gravitated back to McDonald's and worked at a different owner-operator's restaurant.

"I was able to take back the restaurant that [my father] had owned and operated in Jericho while I was in the final steps of the next-gen approval process," Frazier said. "It was very close to my heart."

He asserted that McDonald's food is healthy, saying he recent-

ly lost 30 pounds in six weeks while eating salads, egg whites and grilled chicken there.

Frazier, Hunt and Kaufman all have siblings who are not involved in the McDonald's business, they said.

Other next-generation McDonald's restaurant owners on Long Island are Jaime Liedtke, Michael Anderer, Elisa Trigg and John Laurino, who collectively own seven locations, a McDonald's spokeswoman said.

After facing pressure from unions and employees to raise its workers' wages to \$15 an hour, McDonald's said begin-

ning July 1, starting wages will be \$1 more than the local minimum wage for workers at its company-owned U.S. restaurants, which represent about 10 percent of more than 14,300 locations. By the end of 2016, the average hourly wage for McDonald's workers at those stores will be more than \$10.

"The truth is like 80 percent of McDonald's workers won't be getting any kind of wage raise because they work for franchisees, who pay wages appropriate for their local labor market," Lewison said.

Hunt said she is proud of McDonald's for taking a stance on workers' wages.

"I can only say for my restaurants that I am already way above minimum wage as my average wage and I offer many benefits," she said.

Kaufman said pay rises as workers climb the corporate ladder. "We all have a lot of crew and management who have worked with us and our family for many years," he said. "To see young people start as crew and work their way up to becoming general manager is very rewarding."

A taste of McDonald's

No. of worldwide McDonald's stores, in more than 100 countries	No. of U.S. McDonald's stores	No. of McDonald's owner-operators in U.S.	No. of McDonald's stores on Long Island
36,000 PLUS	14,300 PLUS	3,000 PLUS	82

Source: McDonald's Corp.