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TESTIMONY BEFORE THE U.S. HOUSE COMMITTEE ON SMALL  
BUSINESS AND THE U.S. SENATE COMMITTEE ON SMALL BUSINESS  
AND ENTREPRENEURSHIP

HEARING ON “A SMALL PART IN A BIG COMPANY: EXAMINING THE  
POWER OF FRANCHISING IN THE AMERICAN ECONOMY”

THURSDAY, MAY 15

Good morning Chair Williams, Ranking Member Velazquez, and distinguished members of the Committee. My name is Jenny Beaudoin, and I am a proud small business owner. I operate four Buffalo Wild Wings restaurants – three here in Virginia and one in West Virginia – as well as an independent steakhouse in Maryland.

My story, like that of many small business owners, is a personal one. My parents weren't born into wealth or privilege; they worked tirelessly to build a life for our family. When I was three years old, they took a leap of faith and opened their own restaurant. I grew up in that restaurant, quite literally. We lived in the apartment above it. I saw firsthand the long hours, the financial risks, and the sheer grit it takes to make a small business succeed. There were no days off, no paid vacations, and every dollar earned was a victory.

That experience shaped my understanding of entrepreneurship and instilled in me a deep appreciation for the challenges and rewards of owning a business. I learned that being a small business owner isn't just about making a profit; it's about being a part of a community, providing for your family, and creating opportunities for others.

Fast forward to my college years. My father, a seasoned restaurant owner, was looking to expand, but he wasn't sure how to do it. He was hesitant to take on more debt and replicate the challenges of starting from scratch. That's when I suggested franchising. I remember inviting him to a local Buffalo Wild Wings. He was struck by the vibrant atmosphere, the loyal customer base, and the efficient systems. He saw a model that offered the potential for growth with a proven framework. In fact, he was so impressed that he called the number on the back of the menu to inquire about franchise opportunities.

That decision changed our lives. We became part of the Buffalo Wild Wings brand 26 years ago, and I opened my first franchise 24 years ago. Over the years, I've expanded my operations, always reinvesting in my business and my people. And now, I'm incredibly proud to say that my daughter has recently graduated from James Madison University and is preparing to join our family business. She represents the third generation of our family dedicated to serving our communities, creating jobs, and building a legacy.

This personal history is important because it highlights a fundamental truth: **franchisees are small business owners**. We are not simply managers of corporate stores. We are entrepreneurs who invest our own capital, take on significant financial risk, and are deeply committed to our local communities.

I appear today on behalf of myself, as a franchise owner of Buffalo Wild Wings through S&J Enterprises, LLC.

I appreciate the invitation to appear before this Committee to share my story of small business ownership and discuss the views of local business owners everywhere as it relates to tax policy. I will focus my comments on tax provisions that will benefit franchisees and the joint employer model that allows us to thrive. It is important that small business perspectives are heard by our nation's leaders.

## **Franchising and the misconceptions of the business model**

The franchise business model offers a significant advantage by providing a structured, lower-risk pathway to entrepreneurship. By leveraging an established brand, proven systems, comprehensive support, and collective resources, franchisees can significantly increase their chances of conducting business successfully compared to starting an independent venture. It's like having a strong partner and a well-tested roadmap to guide your entrepreneurial journey. Franchising has contributed to robust job creation and a skills development platform for small business owners and workers. Today, more than 831,000 franchise establishments exist, which support nearly 8.8 million jobs in the United States.

As a franchise owner, you have access to a proven business model and brand. This is a major draw. The franchisor has already ironed out the kinks, tested the market, and developed successful operational procedures. You're not guessing about what works – you're following a blueprint that has a higher likelihood of success compared to an independent startup. You benefit from instant brand awareness and customer trust. People are already familiar with the franchisor's name, products, and reputation, giving you a significant head start in attracting customers. You don't have to spend years and significant capital building brand recognition from the ground up.

The franchisor provides detailed operating manuals, training programs, and established workflows for everything from inventory management and customer service to marketing and financial reporting. This structure helps ensure consistency, efficiency, and quality in your operations. Furthermore, franchisees typically receive extensive initial training on all aspects of the business, equipping them with the knowledge and skills needed to operate effectively. This can cover everything from product preparation and service delivery to hiring and managing staff. Ultimately, this training and support ensures the equity my family has built in our restaurants is protected from potential dilution of the brand through poor operations elsewhere.

Franchisees often benefit from national or regional marketing campaigns developed and funded (at least in part) by the franchisor. This can significantly reduce the burden and cost of local marketing efforts while leveraging the power of a larger brand.

While not a guarantee of success, the franchise model generally has a lower failure rate compared to independent startups. This is largely due to the established brand, proven systems, and ongoing support provided by the franchisor. You have access to the franchisor's expertise and experience, which can help you avoid common pitfalls that new business owners often face. The established systems and brand recognition can often lead to a quicker ramp-up period and faster customer acquisition compared to a new, independent business. For successful franchisees, there may be opportunities to open additional franchise locations, further expanding their business.

Most importantly, being part of a franchise network connects you with other franchisees who share similar experiences and challenges. This peer network can be a valuable source of advice, support, and best practice sharing.

As franchisees, we bear the financial risk. We secure loans, sign leases, and invest our personal savings to start and grow our businesses. Our financial well-being is directly tied to the success of our individual locations.

We are responsible for recruiting, hiring, training, and managing our employees. We create jobs in our communities and provide opportunities for individuals to grow and develop their careers. I

have over 200 employees across my businesses. We are active participants in our local economies. We support local suppliers, sponsor community events, and contribute to local charities. For instance, this year we encouraged our team members to pick local organizations to support, then paid them to volunteer at a local Boys and Girls Club, a local rescue mission, and an animal shelter. Every year at our Winchester, Virginia location, the team reaches out to social services and “adopts a family” by providing them Christmas gifts. For the past four years, we have supported the Brody Michael Foundation by donating an entire day of sales from each of our locations, ultimately donating \$100,000 towards scholarships for local high school athletes. We also frequently donate food police departments and schools.

We manage everything from inventory and staffing to marketing and customer service, and are on the front lines, ensuring that our businesses operate smoothly and efficiently. [According to a study](#) conducted by Oxford Economics, franchise establishments pay higher wages and are more likely to offer benefits than their non-franchise counterparts. Notably, franchises pay 2.2 – 3.4% higher wages than similar non-franchises.

Despite these realities, there are many misconceptions about the franchise model. One of the most prevalent is the idea that franchise locations are simply extensions of large corporations. This couldn't be further from the truth. While we benefit from the brand recognition and established systems of a franchisor, we operate as independent business owners.

Here are a few of the key misconceptions I'd like to address:

- **Misconception #1: Franchisees are not independent business owners.** As I've outlined, we make the critical decisions that determine the success or failure of our businesses. We are not passive investors or employees.
- **Misconception #2: Franchisors control every aspect of the business.** While franchisors provide guidelines and support, franchisees have significant autonomy in how they operate their locations. We adapt to local market conditions, make all decisions related to our workers, including hiring, wages, and benefits, and manage our day-to-day operations.
- **Misconception #3: All franchisees are wealthy.** The reality is that many franchisees are small business owners who are working hard to make a living. My margins are tight. Like any small business, there are financial risks, and success is not guaranteed.
- **Misconception #4: Franchising is only for large investors.** While some franchisees operate multiple locations, many are individuals or families who have invested their life savings to own a single business. In fact, 81% of franchise owners are single-unit operators.

The franchise model offers a unique opportunity for individuals to achieve the American dream of business ownership. It combines the support and brand recognition of a larger entity with the entrepreneurial drive and local knowledge of individual owners. It's a model that has proven to be a powerful engine for economic growth and job creation.

However, it's crucial that policymakers understand the realities of franchising and recognize that franchisees are, in fact, small business owners. Policies that treat franchisees as large corporations or employees of the franchisor can have unintended consequences, harming the very small businesses that this committee is intended to support.

## **The Impact of the Tax Cuts and Jobs Act**

I also want to take a moment to discuss how the Tax Cuts and Jobs Act (TCJA) has impacted my business and other small businesses like mine. Several provisions of this legislation have been particularly beneficial:

- **Section 199A: Qualified Business Income Deduction**
  - The Section 199A deduction has been very helpful, allowing me to deduct up to 20% of my qualified business income. This has significantly reduced my tax burden and freed up capital that I've been able to reinvest in my restaurants, my employees, and my community.
  - Making Section 199A a permanent part of the tax code would provide long-term certainty for small business owners like me. It would allow us to plan for the future with confidence, knowing that this important deduction will continue to support our growth and our ability to provide good-paying jobs.
  - For example, the savings from Section 199A have enabled me to offer better health insurance benefits to my employees, which is crucial for attracting and retaining a skilled and dedicated workforce. It's allowed us to offer paid parental leave for mothers and fathers and a generous PTO program for our managers, many of whom started as servers or cooks and have worked their way up through the organization.
- **100% Bonus Depreciation of Assets**
  - The ability to immediately expense 100% of the cost of qualifying assets has also been a major benefit. In the restaurant industry, we constantly need to invest in new equipment, technology, and renovations.
  - Restoring and expanding 100% bonus depreciation would allow businesses like mine to invest in these critical improvements and upgrades, stimulating economic growth. This provision encourages us to modernize our facilities, improve efficiency, and enhance the customer experience. For instance, I was able to use this provision to upgrade the kitchen equipment in one of my restaurants, which not only improved productivity but also created a safer and more comfortable work environment for my kitchen staff. I also recently remodeled two locations, creating a fresh and exciting atmosphere for our team members and guests. It's important to note that our equipment suppliers expect payment upon delivery, so the ability to expense equipment in the year it is paid is a huge help to us – and just makes sense.
- **Interest Deductibility**
  - The use of an EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) standard can provide a clearer picture of a business's operating performance. This can be particularly helpful when seeking financing or evaluating the overall health of a business.
  - By focusing on operational profitability, EBITDA allows for a more accurate comparison of businesses, regardless of their capital structure or accounting methods. This can help small businesses like mine demonstrate their value and creditworthiness, making it easier to access the capital we need to grow and expand.
  - Access to debt for expansion is critical for franchise businesses, who do not typically have access to other forms of capital. Because I sign my name on all my own loans – not the franchisor – it's important that I have the ability to deduct interest on this debt. I hope to expand my business by opening two more restaurant locations, and this provision would be extremely helpful in order for me to secure access to the capital I will need.

- This is an important issue for many franchisees, and I hear about it as the Vice Chair of the BWW FBS, our franchise association, through which I represent other BWW franchisees as a leader within our community.

I urge you to consider the positive impact of these provisions on small businesses as you consider future tax policies, and particularly the tax reform provision of the reconciliation bill being discussed. I'm pleased to hear these provisions are in the draft the House Ways & Means Committee marked up earlier this week.

### **The Joint Employer Standard**

I also want to address the issue of the joint employer standard, which has significant implications for the franchisee-franchisor relationship. The joint employer standard determines when a business can be held liable for the labor and employment practices of another business with which it has a relationship.

The uncertainty surrounding the joint employer standard creates a substantial burden for franchisees. Under an expansive definition, the independence and autonomy of franchisees to operate their franchised businesses is blurred, franchisors can be required to engage in collective bargaining discussions related to franchisees' employees and be held liable for the actions of their franchisees, even when they do not directly control the franchisee's day-to-day operations or employment decisions. The optics of me not controlling my business and my employees essentially guts the value of my businesses in addition to leading to increased litigation and legal costs for both franchisors and franchisees. The impact of a decade of volatility of the joint employer standard has resulted in reduced investment by franchisors in franchisee support and training, as they seek to limit their potential liability and hindered growth and job creation by franchisees, who may be reluctant to expand their businesses due to the risk of increased liability.

Conversely, a clear, consistent, and predictable joint employer standard is essential to the success of the franchise model. Such a standard would provide franchisors and franchisees with the certainty they need to operate their respective businesses with confidence. It would encourage franchisors to return to providing necessary support and guidance to franchisees without fear of undue liability and empower franchisees to grow and manage their businesses effectively, fostering entrepreneurship and job creation.

By clarifying the types of control that are and are not demonstrative of a true joint employer relationship, Congress can help to ensure that the franchise model continues to thrive, benefiting both small business owners and the communities they serve.

### **Conclusion**

Franchise businesses contribute significantly to our nation's economy, creating a diverse range of employment opportunities from entry-level positions to management roles. In addition, by offering a platform for individuals to become small business owners with lower risks than starting a business from scratch, franchises encourage entrepreneurship, which in turn creates more jobs and enhances local economies. I urge you to consider the perspective of franchisees like myself as you deliberate on policies that affect our businesses. We are a vital part of the American economy, and our success is essential to the well-being of our communities. Thank you for your time and attention. I would be happy to answer any questions you may have.