Today’s Agenda

• Is now the time to be in franchising?
• What is franchising? Trends?
• Sorting Through The Clutter
• Barriers To Success
• Financing & Other Considerations
• Getting Help
• Q&A
Your Presenter

35 years of business experience in Human Resources, Marketing, Finance

Independent franchise owner of The Entrepreneur’s Source franchise coaching business starting in August of 2009.

Coach to hundreds of executives, small business owners, employees and job seekers to help them identify their greatest skills

3rd Generation UC Berkeley Alumnus, Class of 1977
What if I started my own business?

What are the secrets to my success?

Context:
The Battered Career Syndrome is forcing people to take control of their career...not just go with the flow.
“The Battered Career Syndrome”

Job Market changed permanently

National unemployment RATE \(5.7\%\)

Include Underemployed and it grows to \(12.6\%\)

1. Workers change jobs avg. of 4-5 (2.5 for executives) years! 8+ months is average time job seeking
2. 3.5 job seekers for every opening
3. Decline in unemployment rate is due to people dropping out of the labor market
4. Most job seekers are overqualified—many employers are only hiring those already employed
5. Reduced and/or eliminated benefits
6. 50+ workers are 20% less likely than 25-34 year olds to become re-employed
7. People staying in unwanted jobs until things “improve”
Start a New Business

Advantages:
• Lower Start-Up Cost
• Independence
• Creative Freedom
• Freedom with Location & Procedures
• No Inherited Problems From Existing Owner

Disadvantages:
• More Time and Energy
• Higher Risk of Failure
• Takes Longer to Become Profitable
• On Your Own
• Financing Difficult to Obtain
• Expensive to Develop a Brand
Buy an Existing Business

- Develop acquisition criteria
- Mine network contacts: Lawyers, CPAs, Universities, and Brokers
- Consider a buyer’s broker firm
- Have skilled support team for due diligence and negotiations
Why Most Independently-Owned Small Businesses Don’t Work

They believe you have to love a product or service to capitalize on it

“Doing what you know and love will bring you success”

... doesn’t mean you know how to run a business... You must work “on” your business!

A successful business starts with FAST
Could these myths be preventing you from becoming a legend?

**MYTH 1**
You must focus on your weaknesses, work at them and work harder to become better.

**MYTH 2**
You have to love a product or service to capitalize on it.

**MYTH 3**
Doing what you know, love and enjoy will bring success.
Is Franchising Right For You?
Franchise...Franchisee...Franchisor
What’s The Difference?

- **Franchising:**
  - Is NOT a business or an industry.
  - Is a method of distributing products and services to consumers.
  - Utilizes a network of local owners (“locally owned and operated”) operating under a shared brand.

- **Franchisees:**
  - Pay the franchisor for the right to do business under the shared brand
  - Operate under a specified, controlled business method or format

- **Franchisors:**
  - Provide significant initial and on-going training & support
What Is Franchising?

- Distribution Method
- A System for Running a Specific Business Type
- FDD: Uniform Rules, Government Regulated
- Over 2000 Franchises in 80 Industry Groups
- New Franchisee every 8 minutes
If You Think Franchises Don’t Count......

In 2012, franchises accounted for:

- Over $782bn in sales
- Over 770,000 operating businesses
- Nearly 9% of total business units
- 7,994,00 active jobs
- Over 15% of the work force
- Generated 42% of total earnings
- Over 65% of franchises are not in the food business
Franchises aren’t just about Burgers & Subs

- There are over 6000 franchises in 75 different industries
- Not Starbucks, Wal-Mart or Chipotle
- Home, vehicle, office, industrial and retail based
Sample Industries/ Investment Ranges

- $20,000
  - DIRECT MAIL
  - TRAINING
  - SENIOR CARE, CLEANING
  - LAWN CARE, PETS
  - DECORATING
  - HAIR CARE
  - AUTO, CHILDREN’S PROGRAMS
  - DRY CLEANING
- $250,000
  - SPAS
- $500,000
- $1M
  - FOOD
  - HOTELS
Fueling Franchising

Success!

- Proven operating system
- Training
- On-going Support
- Purchasing Power
- Benefit from other franchisees
- Franchisors are very selective who they award their franchises to
- **WIN-WIN relationship**

In business for yourself; but not by yourself.

Cal Alumni Association
UC Berkeley
Evaluating Franchising

Information is the antidote to FEAR
(False Evidence Appearing Real)

Does it create a Win-Win Relationship?

- Explore concepts outside your comfort zone
- Focus on understanding the business model and the role of the owner
- Stay objective; gather facts and information – does it fit YOUR goals?
- Get a true picture of your Total Initial Investment

Franchisor vs. Franchisee responsibilities

You don’t need to love a product/service to benefit from it – you do have to run the business
### Make Fact-Based Decisions

<table>
<thead>
<tr>
<th>Perception</th>
<th>Reality</th>
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<tbody>
<tr>
<td>Too much competition or it won’t work in my market</td>
<td>Facts and information exist to make an informed assessment, if one is willing to make an effort to gather information</td>
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<tr>
<td>Too Risky</td>
<td>90% of franchise units are in business after 7 years</td>
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<tr>
<td>Too much capital</td>
<td>Franchise investments are as low as $20K</td>
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<tr>
<td>I’m not qualified</td>
<td>Most franchisors are not looking for any previous experience in field</td>
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<td>Takes too long to recoup investment; replicate former income</td>
<td>Earnings assumptions can be validated by speaking to existing franchisees</td>
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<tr>
<td>Someone they trust told them it was a bad idea or knew someone who failed</td>
<td>Should do your own due diligence</td>
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Finding The Right Option....Some Common Myths

- Must do something I love
- Know someone who was “successful”
- Found it on some “list of top franchises”
- Friend of a friend said “bad idea”
- I can’t be creative in a franchise
- Corporate HQ will dictate everything
Industries You Will Find Franchised

- 100 Automotive-Appearance Services
- 102 Automotive-General Repair & Related Services
- 104 Automotive-Rental & Leasing Services
- 106 Automotive-Tune-Ups, Lubes & Oil-Related Services
  - 110 Beauty Products & Services
- 112 Building and Construction Products & Services
- 114 Business-Advertising & Direct Mail
- 116 Business-Consulting & Financial Services
  - 118 Business-General
- 120 Children's Products & Services
  - 122 Clothing and Accessories
  - 124 Computer Related
- 126 Consulting-Franchise and Business
- 128 Decorating Products and Services
- 130 Educational Services and Training Programs
- 132 Health and Fitness Products and Services
  - 134 Lodging
- 136 Maintenance-Commercial Cleaning & Maid Service Agencies
- 140 Pet Products and Services
- 142 Photography and Photo Services
  - 144 Printing Services
  - 146 Publications
- 148 Real Estate Brokerage and Related Services
  - 150 Restaurants-Family Style
  - 154 Restaurants-Traditional Fast Food
    - 156 Restaurants-Pizza
- 158 Restaurants-Sandwiches and Salads
- 160 Retail Food-Convenience Stores
  - 162 Retail Food-General
  - 164 Retail Stores-General
- 166 Retail Stores-Gifts and Crafts
  - 168 Security and Home Improvement/Inspection
- 170 Service Businesses-General
- 172 Service Businesses-Mailing, Packaging and Shipping
  - 174 Service Businesses-Signs
- 176 Sports and Recreation-General Goods and Services
- 178 Travel Agencies and Services
  - 180 Video Rental and Taping Services
Why Most Independently Owned Businesses Don’t Work

Working “On” your Business versus working “In” your business
Multiple Units - Trend

• Single unit
  – Owner operator
  – Semi-absentee owner
  – Absentee owner

• Multiple units
  – Add additional units over time
  – Commit & grow
  – Manage the manager

• Area Developer / Master Franchisor
  – Recruit, Train and Support
  – Recurring revenue streams
# 6 Boxes of Business

<table>
<thead>
<tr>
<th>Sole Contributor</th>
<th>Service Business</th>
<th>Small Box</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working from home</td>
<td>Low ego</td>
<td>Stores/shops</td>
</tr>
<tr>
<td>No employees</td>
<td>Employees</td>
<td>Structured – set hours</td>
</tr>
<tr>
<td>Flexible hours</td>
<td>Cleaning biz etc...</td>
<td>Employees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inventory</td>
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<tr>
<td></td>
<td></td>
<td>Brick Mortar</td>
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<table>
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<tr>
<th>Business Develop</th>
<th>Regional Developer</th>
<th>Re-sales/Conversions</th>
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<tbody>
<tr>
<td>Absentee owner who builds biz, hires mgr and moves on to next</td>
<td>Wants to build equity</td>
<td>Immediate Income</td>
</tr>
<tr>
<td>Wants to build equity</td>
<td></td>
<td></td>
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</tbody>
</table>
3 Types of Business models to fit your lifestyle and business goals

- Full Time
- Part Time “Semi-Absentee”
- Absentee
On-site, leading and managing the day-to-day
But what about alternatives?
While Full-Time business ownership is the first that comes to mind, it isn’t the only way...

Especially if you are thinking....

– I love my job and don’t want to quit, but something on the side might help fund my retirement or kids college.
– I have a lot of commitments with the kids, sports and PTA
– I’m not sure that I can let go of a regular paycheck until the business gets ramped up
– I love adventure and hard work and I can do it all...with some good help!
– We’ve got some cash to invest and business will return more than traditional saving alternatives
Part-Time Business Ownership

Executive Model

Off-site, leading the strategy. Hiring staff to manage the day-to-day
What Are The Responsibilities Of A Part Time Owner?

- An individual who wants to continue their employment either full time or part time.
- Someone who can oversee the business up to 25 hours per week possibly with the help of a spouse.
- Someone who only wants to work in the business up to 25 hours a week
- Someone who is interested in having incremental income and build equity.
Off-site, leading the strategy. Hiring staff to manage the day-to-day
What is an Absentee Owner?

- An owner who is not involved in the day-to-day operation of the business.
- Usually has a manager who oversees the business.
- Supplemental income and equity appreciation of the business.
And here are just a few examples
PROS: Franchisee Perspective

- Access To Information
- Cooperative Buying Power
- Instantaneous Goodwill
- Proven Formula
- “Quick” Turn-Key Operations
- On-going Support
- Learning From Other Owners

In Business For Yourself, Not By Yourself
CONS: Franchisee Perspective

- Not a “Partnership”
- Royalties based on revenue, not profits
- Long term agreements may not reflect market trends
- Franchisor management vision may change or may not be in synch with market trends and demands
- Overall reputation is a reflection of customer experience at any (other) unit
- Less control and independence than independent business ownership
What Does It Cost To Buy A Franchise?
It depends.....

Franchise Fee – Most Run Around $40k For A Single Unit
Start Up Costs – Varies Depending On The Type of Business
- Brick and Mortar – usually $200-$300
- Mobile – $80-$150
- Home Based – Office Equipment & Marketing Activities - $20-$30k

*Plus Living Expense During Ramp-Up*
Start-up Costs
• Price tag of Business or franchise fee
• Training
• Pre-marketing plan
• Property/plant/equipment required
• Leasehold improvements

+ Working Capital until Break Even + $$
• Advertising/marketing
• Office supplies & expense
• Payroll & taxes
• Utilities / internet / phone
• Vehicle/equipment payments
• Rent / lease payments
• Loan payments

+ Your household budget needs + $$
= Total Initial Investment Required = $$$$$$$
Small Business

1. Personal Family Savings: 57%
2. Bank Business Loans: 12%
3. Credit Cards Loans: 9%
4. Second Home Mortgage: 9%
5. Outside Private Investors: 3%
6. Government Grant Loans: 1%
7. SBA Type Loans: 1%
Financing Options

Self-funding
- 401K Rollover without early withdrawal penalties or taxes
- Home equity lines of credit
- Current investments & savings
- Friends and family

Loans
- Franchise-lending companies
- Franchisor financing
- SBA loans
- Bank loans
- Programs for women, minorities and veterans
Are you willing and able to make a 5-10 year commitment?

- Financially – What are you willing to invest?
- Emotionally/family support
- Work hard, especially few years
- Ride out the rough spots

Are your goals consistent with business ownership?

- Tradeoff between freedom/control and “steady paycheck”
- Willing to run as a business, not be the person who “makes the donuts”
- Do you like to be in charge?

Can you leverage the benefits of their franchise’s proven system?

Mavericks need not apply, however, still room for franchisee creativity
The Business Should Help You Achieve Your Life’s Goals?

- Learn to make decisions on information not emotions
- Understand business “attributes.”
- Study several models in depth
- Separate facts from “false” fears
- Consider validation as an educational journey.
Insights Into Getting Information

Know what you are looking for

Make sure the franchise is registered in the state you will operate in

Ask the franchisor for a complete understanding of the business model – especially the marketing components

Read the FDD’s

Consider a coach - they normally get paid from the franchisor.
Learning and Evaluating

Understand Your Goals
Narrow It Down To 3 Concepts
Begin Discovery Process
  Initial Call With Franchisor
  Ongoing Education
Receive FDD
Validation
Discovery Day
Review FDD & Franchise Agreement With Attorney
Award Process
Sample Clients Show Change in Plans

Michelle and Ann – Business partners
Long time co-workers who wanted to be self employed
Wanted a brick and mortar, pet focused independent business
Wanted flexibility to spend time with grandchildren and family
Opened a ADVICOACH coaching to small businesses in NH
Will soon celebrate their five year anniversary
Rec’d 5 years in a row Franchisee of The Year

Heidi and Bob
Marketing and Training and Paramedic backgrounds
Wanted a children’s entertainment biz
Two daughters age 6 and 4 flexibility with time
Wanted a very scalable biz
Opened BRIGHTSTAR elder services business in CT
Franchise Disclosure Document Overview (FDD)

- Franchisor Information
- Company’s Key Staff
- Management’s Franchise Experience
- Franchisor’s Bankruptcy and Litigation History
- Required Fees to Operate the Franchise
- Required Investment and Purchases
- Territory Rights
- Responsibilities of Franchisor and Franchisee
- Current and Former Franchise Owners Contact Information
- Earnings Claim (25%)
Key Subjects in Franchise Disclosure Document (cont):

- Trademarks
- Patents, Copyrights & Proprietary Information
- Obligations to Participate in Actual Operations of Franchise Business
- Restrictions of What the Franchise May Sell
- Renewal, Termination, Transfers, & Disputes
- Public Figures
- Earnings Claims
- List of Franchise Outlets
- Financial Statements
- Contracts
- Receipt
Key Subjects in Franchise Agreement

Use of Trademarks
Location of Franchise
Term of Franchise
Franchisee’s Fees and Other Payments
Obligations & Duties of Franchisor
Restrictions on Goods & Services Offered
Renewal, Termination & Transfer of Agreement
Legal Considerations & Structure

- Sole Proprietorship
- C-Corporation
- LLC  Limited Liability Corporation
- S-Corporation
- Other professional designations
- Partnership Agreement?
- Buy/Sell Agreement if purchasing an existing franchise
Choosing Stakeholders

Mentors
Coaches
Accountants / Bookkeepers
Attorneys
Insurance Agents
Bankers
Avoid “Pals”
Veterans as Entrepreneurs!

Veterans represent 6% of the U.S. population, but account for 13.5% of U.S. Small Businesses (3.7 million)

• Over 4,300 military veterans have signed franchise agreements over past 18 months
• 61,000 veterans have been hired by franchise businesses in same period—eventual owners?
• 560 businesses have joined VetFran
• Mission Focus, resourcefulness, resilience, discipline, leadership.

Perhaps you know a Veteran that could benefit from this
Making the Case to Hire Veterans

- Proven Learner, with great skills and training
- Leadership, strategic and planning foresight
- Proven ability to work as a team and independently
- Diversity and strong interpersonal skills
- Ability to work diligently under pressure
- Strong sense of responsibility, procedure, and accountability
- Loyalty and integrity with the ability to see a task through to completion
- Positively enhances the image of a company
- High degree of professionalism, respect, health, and safety
- Adaptability, quick thinking, with the ability to triumph over adversity
Military Veterans Benefits
Vet Fran

Vet Fran - Developed by the International Franchise Association to honor those men and women who have served in the U.S. military, the Veterans Transition Franchise Initiative to help them transition to civilian life. To date, over 600 franchise companies participate in the program.

- Reduced franchise fees from most franchisors
- Franchise businesses are in sync with military concepts and values
- Franchisors adding “other” incentives for military personnel:
  - Territory
  - Financing / loans
  - Education – training fees
  - SBA and community bank support

Some may offer similar discounts to Law Enforcement & Firefighter retirees
Find A Franchise Coach:

1. Get to know you – complete the You 2.0™ form
2. Complimentary Coach Session
3. Coach identify business opportunities
4. Research and Validation

95% of our clients discover options that they would not have explored on their own

No cost for our placement coaching services
• Small business coaches; franchise expertise
• Educate those considering business ownership
• Coaching - help clients explore self employment options; stay focused on goals
• Bring the right fit businesses to clients
• Over 250 offices; US and abroad
• Use tools, assessments and on-line business courses
• No Charge For My Time To My Clients
If you were to look at your life a year from today, what has to have happened both personally and professionally to make you happy?
Thank You

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Ask About Your Career 2.0 Book