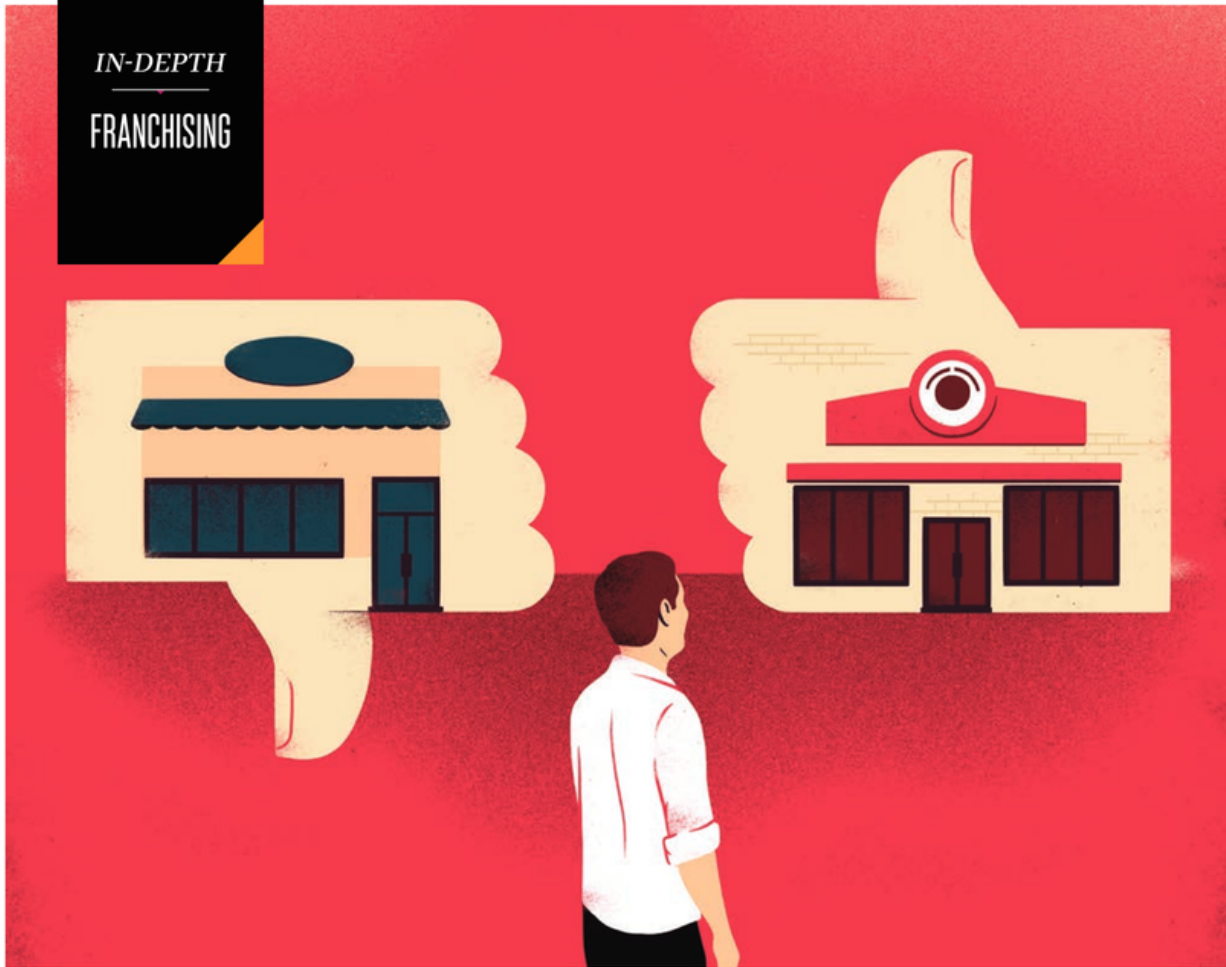


IN-DEPTH
FRANCHISING



The Do's and Don'ts of Franchising

What potential franchisees need to consider about timing, industry choice, finances and more before they take the plunge. **BY CAROL TICE**

Paul Sandry remembers the exact moment he decided to leave the corporate life behind. The human resources manager just had been asked to lay off 250 people—and it wasn't the first time he'd been asked to serve as hatchet man in his 25-year career.

Sandry recalls saying, "You know what? Lay me off, too. I think I need to try something different."

Looking for a jump-start into

business ownership, Sandry began researching franchises. Playing into his love of animals, he researched pet-related chains and eventually partnered with his sister and brother-in-law in a Dogtopia doggie-daycare franchise. Their joint investment to get the doors open? North of \$600,000.

The trio opened their first Dogtopia in Plano, Texas, in late 2017. A year later, that store is thriving with more than 500 canine customers. Sandry and his relatives soon will

begin seeking a second location.

"This is a tough business," Sandry says. "Dogs have teeth. But I love it. I would 100 percent do it again."

Sandry is not alone in trading a corporate desk job for a fast-track into business ownership through franchising, the setup where individual owners license an established brand and system.

"The majority of our new franchisees are corporate refugees," says Alex Samios, Dogtopia's franchise-development vice president.

Franchising is a rising sector. There are some 759,000 franchise locations operating today of nearly every business type, a recent study for the International Franchising Association found. More than 3,300 franchise brands are now active, according to industry research and advisory firm FRANdata.

If you're interested in hopping on the franchise bandwagon, how do you decide which franchise to buy—or whether franchising is even right for you? Here's what to consider.

DO: KNOW YOURSELF

Most would-be franchisees start by peppering franchise executives with questions. Look within before you start knocking on franchisors' doors, says Mark Siebert, CEO of iFranchise Group and author of the forthcoming book *The Franchisee Handbook: Everything You Need to Know about Buying a Franchise*. What do you do well, Siebert suggests asking. "Are you self-motivated? Some people aren't cut out for

business ownership."

Good franchise candidates have family buy-in and take a thorough personal inventory of strengths and weaknesses, he adds. They look for a franchise business where they have a passion for the product or service and could use their strengths. Surround yourself with people who have complementary skills. For instance, Sandry had strong people-management experience, but no marketing or operations chops. His sister and brother-in-law made good partners for his franchise because they had those missing pieces of expertise.

DO: SELL YOUR STRENGTHS

If you think simply showing up at a franchise chain's headquarters willing to write a big check will get you signed up, you'd be wrong, says David Omholt, CEO of Dallas-based franchisee consulting firm The Entrepreneur Authority. Landing a franchise in a prime territory for a successful brand has become a highly competitive process.

Franchise brands are looking for the candidate who seems best equipped to drive revenue, he says—not the first one to show up. You'll want to emphasize your transferable skills, whether it's operations, marketing, management or knowledge of the industry. "Too many buyers don't bring their A game," Omholt says. "They reschedule appointments, show up late, don't do assignments that the franchisor gives them. Think of this like a job interview—this is a mutual assessment process." One simple tip: Get prequalified for any loan you need, recommends Samios. That shows franchisors you're serious about taking the next step.

DON'T: GET CARRIED AWAY

Too many franchise buyers get excited about a brand they've personally used and neglect to research the opportunity thoroughly, Omholt says. They loved the fried chicken or the ice cream, and now they want to buy a store. Don't let your emotions

VETERANS: FRANCHISORS WANT YOU

They have loads of experience working in teams and following a preset system. As a result, veterans can make great franchise operators—and the industry knows it.

Under the umbrella of the International Franchise Association's VetFran initiative, more than 600 franchise brands offer fee discounts, training and more to veterans who become franchise owners, says Jeff Bevis, who chairs the IFA's VetFran committee and is CEO and co-founder of the franchise chain First Light Home Care.

VetFran ranks the quality of franchise veteran-assistance programs on a 1- to 5-star system, making it easy for vets to compare offers. More than 6,500 veterans have become franchise owners since 2011, Bevis says. Some chains even offer deferral flexibility, so vets a year or more

from discharge can firm up their franchise ownership plan while still on active duty.

Army veteran Tom English and his wife, April English, took the plunge in 2017, purchasing a Baskin-Robbins ice cream franchise. Tom was always interested in entrepreneurship—his dad owned a pet store and April had convenience-store management experience—but three overseas deployments repeatedly derailed that dream. After he was injured in Afghanistan in 2011, Tom served as a federal prosecutor and judge while researching franchising.

"Because of all my years in public service, I didn't have time to build up a business from

scratch," he says. He loved the idea of making people happy with ice cream—the exact opposite of dealing with stressed people in combat zones. Baskin-Robbins sweetened the deal with a veteran-assistance package that included a waived \$25,000 franchise fee and five years of heavily discounted royalties.

The couple's Baskin-Robbins store brought the brand back to East Lansing, Michigan, after an eight-year absence, just in time for the peak summer season. "We turned an operating profit from the first day we opened the doors," Tom says. "People still come in every day and say, 'Thank you for opening this store.'"

cloud what should be a clear-eyed business decision. “Too many people get ‘happy ears’ and hear what they want to hear,” he says. “A good product does not necessarily equal a good business for you.”

If you’re excited about a particular sector, be it gyro restaurants or tax-prep services, be sure to research the competitive field thoroughly. Sandry first came up with a list of more than 20 animal-related competitors—including franchises where the business is picking up dog poop. Then, he had a franchise consultant help him narrow the list to the two best-performing brands that suited his interests (namely, spending time with pets). Sandry then researched the top two in depth, finally deciding Dogtopia was the best fit. He preferred the doggie daycare model over brands that focused more on dog boarding.

Narrowing the field is a smart move, says Omholt. If a chain knows you’re looking at 20 different options, it tends to lose interest. “You don’t want poles in so many different ponds that you don’t get any bites,” he says.

DON'T: NEGLECT YOUR RESEARCH

The good news about researching franchise ownership: There’s plenty of available information. Franchise brands are legally required to provide prospective owners with a franchise disclosure document that offers in-depth details on how the chain is faring. You can spot signs of trouble (such as many store closures), learn how many units are open and planned, get franchisee contact info and more.

Franchisee Amanda Blackburn researched failure rates at compet-

ing sign-creation brands before the former teacher and her husband chose to open a FastSigns franchise in Hattiesburg, Mississippi, in 2017. She also was impressed with FastSigns’ training program. “FastSigns is really good at taking people who’ve never been a business owner or in the sign industry and teaching them how to make the products and sell,” she says.

One place to pay special attention in the FDD document is Item 19. This is where franchisors may—or may not—disclose earnings information for franchise units and corporate locations. If nothing’s listed, ask questions of unit owners to see what you can learn. Siebert notes that you can extrapolate from the royalty rate franchisees pay and corporate revenue figures to get a sense of what a typical store earns.

DO: BE PATIENT

Buying a franchise isn’t a quick route to easy money. Many franchisees see a year or more elapse between signing their franchise agreement and opening their doors; it’s often another year to profitability. In particular, it’s not always a smooth road to building and opening a retail store franchise.

Massage Heights franchisee Heather Huber of New Braunfels, Texas, was excited to leverage her background as a massage therapist and instructor. But she hit a snag with the landlord for her first franchise unit. Massage Heights execs stepped in to help her quickly find and open a second location in late 2016 while the lease problems got ironed out. The first planned unit finally opened in August 2018. “It was one of the fastest-moving Massage Heights leases ever,” she says of her second lease. “We opened three months after we signed the lease.”

DO: KNOW WHAT YOU’RE GETTING

Franchise companies offer different levels of support, training and management expertise. Sandry says



home clean heroes

Be your own boss.
A hero's take on the home cleaning industry.

POWERED BY
BUZZ
FRANCHISE
BRANDS

The Home Clean Heroes franchise opportunity provides:

- A chance to claim your piece of a \$6 billion industry
- World-class marketing & fun branding
- Proven business model with recurring revenue stream
- Full training & support - no experience needed
- Powered by multi-brand franchisor Buzz Franchise Brands.

homecleanheroesfranchise.com

© Home Clean Heroes Franchising, LLC | 2829 Guardian Lane, Suite 100 | VA Beach, VA 23452. This information is not intended as an offer to sell a franchise or the solicitation of an offer to buy a franchise. It is for informational purposes only. This advertisement is not an offering. An offering can only be made by a prospectus filed first with the Department of Law of the State of New York. Such filing does not constitute approval by the Department of Law.

THINKING ABOUT BUYING A FRANCHISE WITH YOUR RETIREMENT ACCOUNT? HERE'S WHAT TO CONSIDER.

It can easily cost \$200,000 or more to open a franchised retail store. If you're wondering where people get the money, some would-be franchise owners tap their own retirement accounts.

Using a method known as ROBS—rollover for business startups—funds from your 401(k), IRA or military savings account can be “rolled over” into a new retirement plan that invests in your new business. Better yet, you can do this without incurring retirement account withdrawal penalties or triggering a tax bill on the money used.

“This can be a real game changer for folks who are illiquid but have been good

savers,” says franchise consultant David Omholt, CEO at startup-consulting firm The Entrepreneur Authority in Plano, Texas.

What could go wrong? Plenty, starting with the fact that if your business fails, you've lost your life savings.

Beyond that potential disaster, know that the IRS keeps a sharp eye on ROBS transactions. The agency has found that some ROBS plans don't comply with its complex tax rules. In that case, the IRS can demand the ROBS transaction be undone—a tax mess that can often only be solved by selling the business.

The solution? Hire expert help if

you plan to tap a retirement account to fund your franchise purchase, Omholt says, and make sure you comply with all relevant IRS regulations and paperwork.

Also, be cautious and don't invest your entire account in your franchise, he advises. In a review of ROBS transactions the IRS concluded in 2010, the agency found that many companies funded using ROBS had gone out of business or been dissolved within three years of opening their doors.

“This is a time-tested franchise funding method,” Omholt says, “but you wouldn't want to bet the farm.”



Start the New Year on a different route

Find out what it's like to be in business for yourself but not by yourself.

As a recognized leader in franchise consulting, FranNet has partnered with national and local agencies including SCORE and America's SBDC, the national association of Small Business Development Centers (SBDC), to provide education and training. We've also led the industry by developing a Client Bill of Rights that documents the standards we set for our clients. Our Broker Disclosure Document makes our working relationship transparent. So, you'll know what to expect from the very beginning.

Our consultations are always no-cost, no obligation.

Get your free roadmap to success:
FranNet.com/sky

FRANNET
LOCAL. TRUSTED. FRANCHISE EXPERTS.

he found Dogtopia's turnkey real estate leasing program invaluable. "I'd never leased a commercial property before," he says. "Their help left me to do what I needed—the marketing and PR and getting things ready to open."

Another factor was the deep franchise experience of the corporate team, most of whom had notched many years with other brands. Look for in-depth training, recommends Samios. Many franchises offer a couple of weeks of training and a few onsite visits a year. But some invest more heavily: Dogtopia offers four weeks of field and headquarters training, sends a team onsite for 10 days during store openings and visits quarterly after that.

DO: ASK ABOUT INNOVATION

What sets this franchise brand apart? Especially in a crowded sector such as fitness—the most popular

niche for new franchise brands right now—it's a key question to ask, says Cory Lyons, director of franchise sales and development for Lift Brands, which owns Snap Fitness and several other franchised gym chains. "Ask how the brand will continue to evolve and be an innovator in their space," he says.

Snap Fitness' unusual format—a boutique, 24-hour small gym that focuses on personal trainer work—was a point of difference that attracted John Annunziata, a former financial manager for Merrill Lynch and AT&T. He opened his first Snap Fitness in Ridgefield, New Jersey, in 2016 and a second unit a year later. "I wasn't comfortable with the larger gyms," he says. "We're about personal training and getting to know your members."

Also ask how open the company is to franchisee ideas. If you're an entrepreneurial type yourself, find a

brand that welcomes your input.

DON'T: FOLLOW FADS

Don't blindly follow the crowd into the current hot concept, says Siebert. By the time you hear about it, the trend already may be fading out or could be oversaturated in your local market. Remember the buzz about eBay "sell-it-for-you" stores or any one of several waves of frozen yogurt mania? Ignore the flavor of the moment, stick with proven concepts and stay focused on brands that truly fit your interests and skills, he says.

DO: TALK TO OWNERS

Never buy a franchise before you talk to current owners—and not just the ones the company recommends, says Omholt. They'll have hand-picked the happiest, most successful franchise owners and their results may not be typical. Tom and April

**TODAY IS
THE PERFECT
TIME TO GET
INTO PROPERTY
MANAGEMENT.**

PROVEN SYSTEM TO MANAGE RENTAL HOUSES

Tools and training to manage thousands of rental properties.

VIRTUALLY RECESSION PROOF

34% of U.S. Housing is Renter-Occupied.

ONGOING SUPPORT

We're with you every step of the way. You're in business for yourself not by yourself.

INCREDIBLY SCALABLE

With long-term recurring revenue contracts that pay you again and again.

COMMUNITY HERO

You will provide a cutting edge, proprietary service that leaves a lasting, positive impact on property owners and tenants.



ALL COUNTY
PROPERTY MANAGEMENT

AllCountyFranchise.com | 855-245-7368

*Each franchise office is independently owned and operated.

ADDITIONAL PHOTOGRAPHY CREDITS**Pages 41**

George Hoyningen-Huene/Condé Nast via Getty Images. Photo courtesy Calder Foundation, New York / Art Resource, New York (1); Photo by Joan Marcus (2); Mark Pickthall (3); James Gill Photography (4); Fadel Senna / AFP / Getty Images (6)

Pages 58-59

Global Traveler: Peter Aaron (Shangri-La Hotel Toronto); Thomas Jordan via Flickr (Kensington Market); Rey Pan (Kiin); **Foodie:** Scott Norsworthy (Nadège Patisserie); Michael Gozum Photography (Assembly Chef's Hall); Leanne Neufeld (BarChef); **Art Enthusiast:** Lisa Petrole (The Drake); Courtesy of the AGO (AGO Bistro); **Sports Fan:** Michael Alberstat (Le Germain Toronto Maple Leaf Square); Hockey Hall of Fame;

Claus Andersen/Getty Images (Go Pro); **Canada Lover:** Eugen Sakhnenko/Worker Bee Supply (The Broadview Hotel); Arash Moallemi (MOCA); Bad Axe Throwing

Pages 92-93

Ian Allen (Seattle); **Viajero Global:** David Phelps (Kimpton Hotel Monaco Seattle); Courtesy the Nordic Museum (Museo Nórdico); Brooke Fitts Photo (Mamnoon); **Amantes de la Música:** Jean-Marcus Strole Photography (W Seattle); Museum of Pop Culture (MoPOP); **Gastronomía:** Mark Bauschke (Inn at the Market); Joshua Trujillo (Starbucks Reserve SODO); **Instagram Aficionado:** Chris Eltrich (Unicorny Narwhal); **Explorador urbano:** Thompson Seattle; Seattle Parks & Recreation (Kerry Park); Brooke Fitts Photo (Sawyer)

WANT TO INVEST IN THE RIGHT FRANCHISE?

LOOKING FOR A MILLION DOLLAR OPPORTUNITY?

WANT TO LEARN HOW TO "FLIP" FRANCHISES FOR QUICK FINANCIAL GAINS?



“Learn the secret to owning the right franchise!”

With over a decade in the franchise industry, we've helped hundreds of prospective entrepreneurs—people just like you—become successful franchise business owners... many of whom have gone on to own million dollar businesses.

We offer **INSIDER** information on franchising

- Personal introductions to the most profitable and successful concepts around
- Exclusive info on new, growing concepts that have industry insiders abuzz & investing
- The “truth” about the real costs & earning potential of well known franchise brands
- Options to finance a franchise without breaking the bank

It's time to become a boss, not just work for one.
The call is free; the information is invaluable.

Call: 800.445.6382
Text: 442.222.4177
thefranchiseinsiders.com



THE FRANCHISE INSIDERS DOES NOT GUARANTEE THE FINANCIAL PERFORMANCE OF ANY FRANCHISE OR BUSINESS OPPORTUNITY. THE DECISION TO PURCHASE A FRANCHISE OPPORTUNITY MUST BE BASED ON A BUYER'S INDEPENDENT RESEARCH AND ANALYSIS. THE FRANCHISE INSIDERS IS NOT LIABLE FOR ANY REPRESENTATION MADE BY AN EMPLOYEE, AFFILIATE, OR ASSOCIATE OF ANY FRANCHISE OR THE FRANCHISE INSIDERS WITH RESPECT TO THE FINANCIAL PERFORMANCE OF THE BUSINESS BEING ACQUIRED. THIS DOES NOT CONSTITUTE AN OFFERING. AN OFFERING CAN ONLY BE MADE BY A PROSPECTUS FILED WITH THE REFERENCED STATE, WHICH FILING DOES NOT CONSTITUTE APPROVAL.

English traveled the country talking to Baskin-Robbins franchisees before making their final decision to go with the brand. “Every franchisee we spoke to was happy with their decision,” Tom English says.

DO: TRY THE JOB ON FOR SIZE

Job-shadowing can be a real eye-opener, says Omholt. Many new franchise owners entertain the fantasy that they won't have to do anything in the business, but that's rarely true—especially at first. Perhaps you haven't put in an eight-hour day driving around making nonstop sales calls before or maybe haven't spent the day standing on your feet in a fast-food restaurant trying to motivate a staff of teenagers to do your bidding. You might love it—but you might hate it, Omholt notes. In any case, finding out exactly how you'd spend your days as an owner will give you a more realistic idea of the fit.

DON'T: BUY AT THE WRONG STAGE

Somewhere in between decades-old franchises and brand new ones, the experts say, is probably the best bet for most franchisees. “The pro-tip is to catch something pretty early out of the gate,” says Omholt. “Maybe not [to be] the first franchisee, but if you think of it like a baseball game, it's the second or third inning, not after the seventh-inning stretch. Before [a brand] hits its first big growth spurt is a great time to get in.” At that point, franchise fees and royalties are often lower than they'll be later. Big-city territories will still be available. You might also get more of a voice at the table in a younger system, Omholt says. Founders tend to still be active and accessible to franchise owners. “I know people who get into McDonald's and never even meet a vice president, much less the CEO,” he says.

There's a lot to know before you decide to buy a franchise. But if you ask questions and keep a cool head, you can find your way to a business you love. ▽