



Map Your Franchise Future

What first-time franchisees can expect in the first days, months and years—and what they should know before they take the leap. **BY MICHAEL CANDELARIA**

Two decades ago, Jason O'Brien was an emergency first responder. Today, he's president and CEO of Bio-One Inc., a franchise operation that specializes in crime-scene and biohazard cleaning services and medical waste disposal.

O'Brien's foray into franchising isn't uncommon. According to the International Franchise Association, whose members include

franchise companies in more than 300 different business-format categories, in 2019 franchising accounted for more than 733,000 United States establishments and supported nearly 7.6 million direct jobs—more than the manufacturing and financial services industries combined—while generating \$674.3 billion of economic output for the U.S. economy.

"People interact with franchising day in and day out," says David Barr, chairman of the IFA.

Of course, there are the hamburger places and chicken joints. Food establishments make up approximately 40 percent of franchises by number of outlets—and even more by percentage of revenue. But 60 percent of franchises, like Bio-One, fall into nonfood categories: hospitality, health and beauty, fitness, senior care, pet care, business services and more.

In basic terms, franchising is a type of licensing arrangement. It's a method of distributing products or

services, typically involving a franchisor who establishes the brand's trademark or trade name and business system, and a franchisee, who pays a royalty on revenues and often an initial fee for the right to do business under the franchisor's name and system. Technically, the contract binding the two parties is the "franchise."

"There are no guarantees," says Barr. "But franchising at its best is simply a local business owner operating in the local community, known as a local business, but with the ability to use a platform that is brand-related and has proven systems to enhance the level of service." He adds, "Owning a franchise allows you to go into business for yourself, but not by yourself."

Whether you're considering purchasing a franchise or you've already made the leap, here are the basics to know as you embark on your franchising journey.

BEFORE YOU BEGIN

Industries as diverse as fast food, convenience stores, education, car rental and carpet cleaning are reflected in the leading 25 franchises worldwide, according to Franchise

Direct, an online resource for franchise opportunities and industry data.

It's important for potential franchisees to dig deep into data like this before picking a direction, O'Brien says, but it's equally important for them to start out by looking in the mirror.

After working as a first responder, O'Brien (who also has a background in business) began working as a business consultant for companies including Bio-One. The company, established in 2010, was still in its formative stages. After working as director of franchise development for the company, O'Brien became CEO in 2016. At the time, it had 24 franchises; now there are approximately 100.

"Franchising truly allows you to pick your passion," O'Brien says. "If you want to be a crime-scene cleaner, there's a franchise for you."

Personal interests, however, shouldn't be the ultimate decider, says Alesia Visconti, CEO of FranServe Inc., a global franchise consulting and expansion organization.

"[Passion] is a start, so you're at least in an environment that you can see yourself in," Visconti says.

"But it's common that people will want a particular brand or category, then when they look at the business model, it doesn't fit with goals. So you need an open mind."

Rely on research to guide—or back up—your direction. What is the required investment? What's hot (and what's not) in the marketplace? Do I have the core skill competencies to succeed in a chosen franchise?

"Knowledge is power," says Visconti, who also is the CEO and publisher of *Franchise Dictionary* magazine. "Read websites and articles to learn about the industry as a whole, including funding. Talk to people in franchising."

"Put your toe in the water, get involved, start learning things," she says. "Because the brands that are attractive to people are not necessarily the best fit for them."

Franchisors must present the franchise disclosure document, or FDD, to prospective franchisees at least 14 calendar days before collecting any fees or signing any binding contracts. The FDD, administered by the Federal Trade Commission, is required to contain 23 items that help the prospective franchisee gain the information needed to make an informed decision.

Another resource for potential franchisees is the American Association of Franchisees and Dealers. In 1996, the AAFD introduced its Fair Franchising Standards and offers its Fair Franchising Seal to franchise systems that meet them.

Also important to remember is that once the research is complete and a decision is made, the timeline from initial interest to franchise ownership is not likely to happen quickly.

"It's not, 'I want to own a franchise and in the next week or 10 days I'm going to get one.' It doesn't work like that in the industry. It's a process," Visconti says.

DISCOVERY DAY

You've made a decision about becoming a franchisee, but have you had your Discovery Day? This meeting typically takes place either face-to-face at the corporate office of a franchisor or virtually.

It's the chance to get to know one another, to meet with franchisor senior management and assess

the match. As a candidate, be prepared both to learn and to present. Often there is affirmation, but certainly not always.

"Ultimately, the brand wants to be happy and the new franchisee wants to be happy," says Alesia Visconti, CEO of FranServe Inc. The meeting "really comes down to common sense in a lot of ways,"

Visconti explains.

"Absorb all the materials first, follow franchisor recommendations, go on mentor calls. All of this can be frustrating because you want to dive into the business. But owning a business, even including franchises, takes work. You must work on the business, too, not just in it. Discovery Day is a start."

DAY 1 INTO YEAR 1: BUILD AND CULTIVATE

Careful hiring is of the utmost importance early on. “Your consumer engagement will never exceed your employee engagement. So you always have to put your people first and hire the right team,” says John Kittell, director of business development and retention at Ace Hardware’s headquarters.

While often referred to as a franchise, Ace Hardware is a retailer-owned cooperative—the largest one in the world. The difference is that in the cooperative model there are no royalty fees and a portion of total profits across the chain are distributed back to store owners each year.

Ace Hardware was founded in 1924 by a small group of Chicago hardware store owners who banded together to create bulk purchasing power. At the same time, they focused on local retail entrepreneur-

ship driven by customer service. Today, Ace Hardware has 5,300 locally owned and operated stores in approximately 70 countries.

Its renowned customer service doesn’t happen by accident, Kittell says. “You have to pay attention to the brand, which in our case is ‘neighborhood helpful place.’ You’re serving your neighbors. So you really have to be a fabric of the community you serve.”

Franchisees must hire people who fit the brand and cultivate it within their staff, then train them continuously with guidance commonly provided by the franchisor.

“You’ve got to be a people person,” says Steve Hockett, CEO of Great Clips Inc., about building a staff that embodies the brand. “You have to understand the business you’re getting into. Your people will build the business and create the customer experience.”

Hockett became a Great Clips franchisee in 1988 at age 27, undercapitalized and overleveraged. Five years later, he joined the franchisor side as a marketing manager before leaving Great Clips in 2002 to pursue other opportunities. He returned in 2008 and became CEO in 2018. Great Clips now is the world’s largest salon brand, with 4,500 locations in more than 180 markets across the United States and Canada.

Hockett isn’t just a CEO, though. His franchisee experience and training means that he can take care of nitty gritty tasks just as well as he can lead the 100 percent franchised company, which generates \$1.5 billion in systemwide revenue. “I can sweep hair really well,” he says. “I can instantly bond with the stylists in every salon I visit.”

Visconti offers another piece of advice for newcomers during this time: Keep emotions in check.

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with his dog Bear Brown



She points out that many people come to franchising from corporate America. As the owner of a new business in what often is an unfamiliar industry and career, the work environment can be unsettling. “It feels like, ‘I’ve been successful in the past and now I’m learning something new,’” she says. “You’re a fish out of water. And that can wreak havoc on your emotions. But you have to realize that everybody goes through that. There is a learning curve. A lot of it has to do with managing emotions and managing expectations.”

YEAR 2: EYES ON THE PRIZE

Franchisors offer ongoing support, even before day 1. That support ranges from help with training, advertising and operating procedures to providing management guidance, increased spending power and access to bulk purchasing. So

take advantage of the partnership, Barr advises.

“In my opinion, you’ll never find a successful franchisor without a successful franchisee. And you’ll never find a successful franchisee without a successful franchisor. There is a symbiotic relationship and they need to work together,” Barr says.

One of the chief advantages of franchising, Barr notes, is risk mitigation by virtue of proven business systems and contractual agreements.

Franchisees receive support, but they also must operate their businesses according to procedures dictated by franchisors. They cannot pick and choose systems they’d like to follow. That’s not always an easy mandate, particularly as franchisees grow more comfortable in their businesses. “To actually create a brand and actually communicate

that to the consumer or business market is incredibly difficult,” Barr says. “The right franchisee effort married up with a proven business system has a greater propensity for success than an individual starting out on their own.”

According to the IFA, approximately 92 percent of franchises still are operating after five years in business—that’s an 8 percent failure rate. Compare that with the national small-business failure rate: about half of all establishments survive five years or longer.

Hockett, who has experience as a franchisee and franchisor, says, “You have to move your own mountains, but [franchisors are] there to help you do that. If you want to try to do it differently than the system, that’s a recipe for struggling. My advice is to embrace the system, whatever one you join.”

Visconti agrees: “If you stay on

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that path, your chances are good. When you start deviating, which some people do from time to time, that's really where you can get into trouble, because the brand has a pattern of success."

**YEAR 3 AND BEYOND:
CONSIDER EXPANSION**

There are no guarantees in franchising—but if a franchisee has made it into year 3, that bodes well for possible future expansion. Scott Sharkey didn't even need that much time.

Sharkey was seeking an investment opportunity following the sale of a family business. He and his wife, who worked in advertising, had two young children—meaning regular trips for haircuts.

Sharkey didn't give much thought to that \$55 billion-a-year industry until 2002 when his wife came home with the idea of opening a salon specializing in cuts for kids. Research revealed that there were more than 52 million children ages 12 and under, with an average of eight haircuts annually for each boy.

After three more months of research and focus groups, the couple opened Sharkey's Cuts for Kids, a standalone entrepreneurial enterprise. A second and third salon were opened and in 2006 the Sharkeys sold their first franchise, along with their three original salons. By February 2020, they had sold 74 franchises and had about 53 more outlets under development.

Along with haircuts, Sharkey's earns revenue from other streams such as birthday parties, proprietary product lines and a yearly membership program. Sharkey's approach to potential franchisees is to invite them to explore the franchise at their own pace online.

"We're not selling people a job; we're selling them an investment," Sharkey says. "We like to tell people to fit their business plan in their life plan, not their life plan in their business plan." ▼

PUZZLE ANSWERS

Easy KENKEN

3-	3+	6x	
4	1	2	3
1	3	4	2
2-			3-
2	4	3	1
1-		1	
3	2	1	4

Hard KENKEN

3-	3+	1	1	1	3-
1	3	6	4	5	2
6	2	5	1	4	3
4	5	1	2	3	6
3	6	2	5	1	4
5	4	3	6	2	1
2	1	4	3	6	5

Easy Sudoku

5	7	8	6	9	3	2	4	1
6	4	2	8	1	5	7	9	3
3	9	1	7	4	2	8	6	5
2	3	5	4	6	1	9	8	7
9	8	6	2	3	7	1	5	4
4	1	7	5	8	9	3	2	6
8	5	3	9	7	4	6	1	2
1	2	9	3	5	6	4	7	8
7	6	4	1	2	8	5	3	9

Hard Sudoku

7	9	8	2	1	5	3	6	4
1	6	4	3	7	9	5	8	2
5	3	2	8	4	6	9	7	1
2	1	5	6	9	4	8	3	7
6	8	3	7	5	2	1	4	9
9	4	7	1	8	3	6	2	5
3	2	9	5	6	7	4	1	8
4	7	1	9	3	8	2	5	6
8	5	6	4	2	1	7	9	3

C	R	A	B		A	L	T	O		R	O	W	E	R		
H	E	M	I		C	O	E	D		O	F	A	G	E		
E	D	I	T	I	N	G	A	D	R	A	F	T	O	F		
E	U	G	E	N	E				M	O	R	S	E			
S	C	A	R	F		M	A	A	M		R	N	S			
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				M	A	N	I	A		F	O	L	K	S	Y	
				W	R	I	T	I	N	G	W	E	L	L	I	S
C	A	U	S	E	D		R	I	N	K	Y					
O	W	N	E	D		P	A	N	D	A		G	I	F		
B	A	N			D	A	M	E		D	R	A	C	O		
				E	M	A	I	L		B	O	I	L	E	R	
S	U	R	E	L	Y	A	N	A	R	T	F	O	R	M		
U	S	U	R	P		T	A	C	O		T	R	U	E		
M	O	P	E	S		E	Y	E	S		S	E	N	D		

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