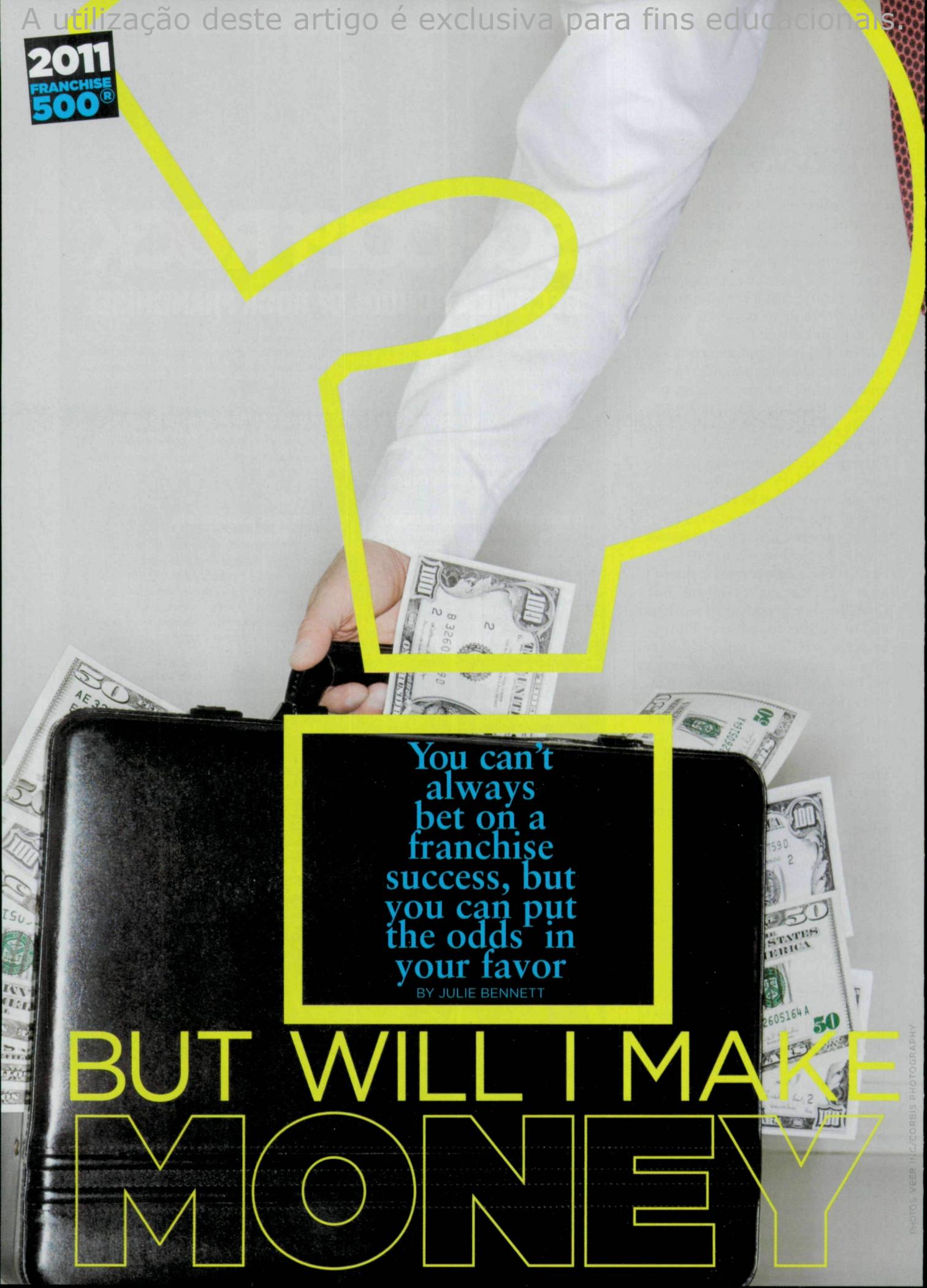


A utilização deste artigo é exclusiva para fins educacionais.

2011
FRANCHISE
500®



You can't
always
bet on a
franchise
success, but
you can put
the odds in
your favor

BY JULIE BENNETT

BUT WILL I MAKE
MONEY

2011
FRANCHISE
500®

OK, so you think you're ready to buy a franchise. You've done some research. You've weighed the pros and cons. You've selected a business with an interesting product. You even know what you'll wear to work and how many hours you expect to be there. Yet in spite of how much preparation you've done, you still don't know the answer to the most pressing question: Will your business make money? No franchise company—no matter how glorious its track record—can guarantee financial success. But you have a much better chance of having a winning proposition if you follow these practical pointers before you sign on the dotted line.

1 Know thyself.

Choose a business in which you really believe you can excel—a business that matches your singular set of skills and interests as closely as possible. Assess your strengths, weaknesses and blind spots. Visit existing units of the franchises you've targeted and talk to the franchisees. Are they like you? Are they more driven or far more laid-back? Volunteer to work in a franchise for a few days, then decide if you're truly passionate enough to own one. As Houston franchise attorney Richard Solomon puts it: "If you just like soup, buy a bowl of soup. Don't buy a franchise that serves it."

2 Avoid fads.

Is the sector you've chosen hot or just overheated? You won't make money if the business is in a sector that's about to implode. Avoid franchises built around unique products or services that have attracted too many copycats, counsels Timothy Howes, principal of Spyglass Strategies, a franchise consulting firm in Dartmouth, Mass. "Past fads," he says, "included auction drop-off sites, ink cartridge refill stores and dinner-preparation retailers. Where are they now?"

mojo ;)™
photo booth

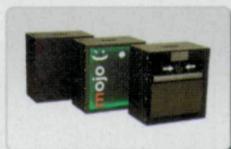
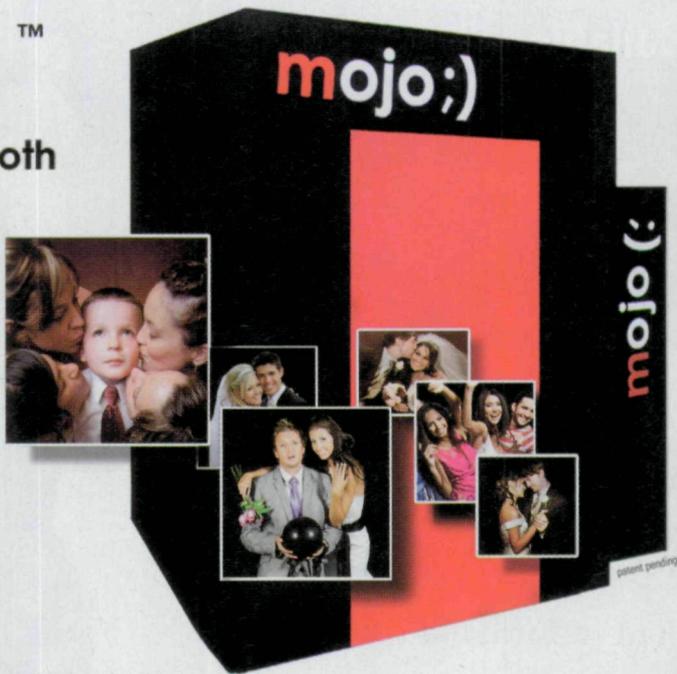
"Turn-key opportunity with...
the highest return on investment!"

\$6,495 complete package

- Six figure income potential
- Not a franchise system
- No royalties or commitments
- Unbranded & Custom booths available
- Perfect addition to any business
- 15 minute set-up, Fits up to 10 adults
- Fits in ANY passenger car
- One person operation & transport
- Customizable photos with green screen and video technology
- The only commercial-grade portable photo booth on the market

Join a \$42 billion industry servicing 2.16 million weddings each year!

* avg, photo booth rental \$1027 per event



888.484.mojo (6656) mojophotobooth.com

Call today for
more information!





3

Be wary of sales.

Franchises that have many existing units for sale could be troubled. Check websites that list franchises for sale, like Sunbelt, a business brokerage (sunbeltnetwork.com), to see whether current franchisees are trying to unload their gyms, clothing stores or sandwich shops at bargain prices.

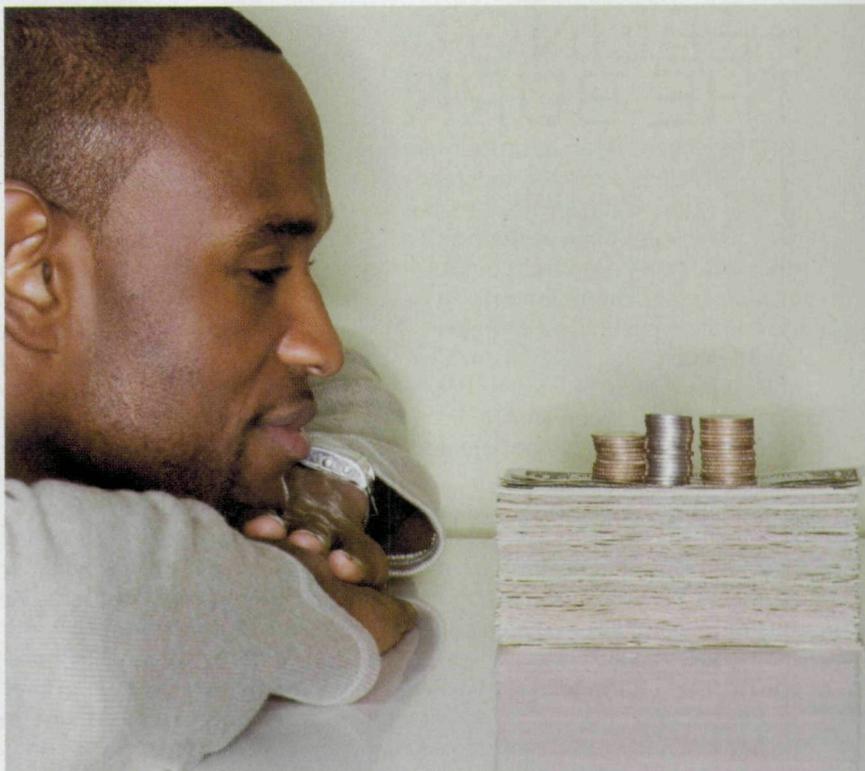
4

Use a scam filter.

While you're on the Internet, type

into the Google search bar the name of the franchise you like, followed by

the word "scam." This may lead you to complaint sites where current or



The Business You Need To Lead You To Success

Backed by over three decades of experience, Homewatch CareGivers is the largest and most experienced full-service home care franchise system.

A Business That...

- ✓ Makes a Difference
- ✓ You Can Be Proud Of
- ✓ Is Financially Rewarding
- ✓ Offers a Large and Lucrative Territory(s)
- ✓ Cares for People of All Ages

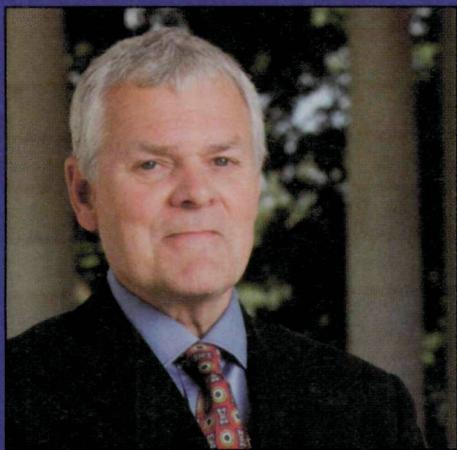
Homewatch International Inc.

(800) 472-2290

franchise@HomewatchCareGivers.com

Homewatch CareGivers®

www.HomewatchCareGivers.com



"I was looking to leave corporate America to go into business for myself. I liked the idea of helping people – and making a great living doing so."

Dale Kiesz,
Seattle, WA





Don't be too concerned if there are just a couple of general complaints. Every franchise system has a few disgruntled players. But if you find a pattern of complaints, it's probably best to drop that franchise and move on.

5 Be cautious of startups.

Joining a new franchise can be risky, and in the current economy, many newcomers will disappear before they gain traction. According to FRANData, a franchise research and consulting firm in Arlington, Va., 604 new franchise systems have started since 2006. Principal Sue Bennett of FranFinders, a franchise consultancy firm in Duluth, Ga., advises her clients to look only at systems that have been in business for five or more years and

former franchisees rant about their experiences with the franchise company.

have at least 25 open franchise units. The exception, says FRANData president Darrell Johnson, is a new company started by franchise veterans who have had success with other brands.

6 Happiness counts.

Two companies, Franchise Business Review in Portsmouth, N.H., and Franchise Research Institute/FranSurvey in Lincoln, Neb., survey the franchisees of many systems to determine their levels of satisfaction. You can find lists of those with the happiest franchisees on the websites of Franchise Business Review and FranSurvey. Generally, franchisees are content if they're making money. But money isn't everything. "There's a lot of gray area," says Franchise Business Review



*I have a confession...
I'm not a risk taker.*

If you'd prefer to leave risk-taking to skydivers and Wall Street goons, then you're in good company.

N-Hance is the unrivaled solution for a smart and affordable franchise. Call or click today.

- ✓ Only \$13,450 Down
 - Balance Financed In-House
 - Core Equipment & Solutions Included
- ✓ Many Jobs Done in One Day
- ✓ Exclusive Territories
- ✓ Prime Territories Available
- ✓ Scalable Growth Model

REVOLUTIONARY WOOD RENEWAL

No Dust. No Mess. No Odor.®



Renew the original life and luster of tired and worn cabinets or floors



Create a dramatic kitchen makeover with a total color change



From the most trusted name in home improvement

Call Today for a Free Opportunity Kit
1-866-642-6231
www.nhancefranchise.com



Want to make more than a

25% Return on Investment?^{2*}

Open a Lenny's Sub Shop!

Top Half of Restaurants*

The return on investment ranges from **43.7%** for investments of \$216,500 to **25.6%** for investments of \$369,000

Call 1-877-705-7827 for a Franchise Disclosure Document



Our Food:

- Authentic Philly Cheesesteaks
Served Hot Off the Grill
- Deli Fresh Experience
Sliced to Order
- Generous Portions
Large Sub Weighs Over One Pound

Our Franchisees:

- Well capitalized entrepreneurs
 - Most deals require \$40k liquid and \$400k net worth, however circumstances vary.
 - Owner / Operators actively involved in their own success
- OR
- Multi-Unit Operators with territory exclusivity

Our Franchises:

- Low Royalty & Marketing Rates
- Top Notch Support
- \$25k Franchise Fee
- Exclusive Territories Available

For more information visit lennys.com or call 1-877-705-7827



*For additional information and important disclaimers, please see Lenny's Franchisor, LLC's 2010 Franchise Disclosure Document. The preceding information was collected for the 2009 calendar year from 72 of our 99 franchised restaurants which originally opened before January 1, 2008 and which remained open as of April 1, 2010. The 99 restaurants represent all restaurants subject to the criteria above that had the same franchise owner for all of 2009 and therefore had the capability for publishing full year financials. Our intention was to report all 99 of these restaurants, but due to various franchisee specific circumstances, franchisees for 27 restaurants did not submit information in time for our 2010 FDD deadline. Return on investment is defined as one year of Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) divided by the initial investment amount. EBITDA includes all other expenses that a franchisee chose to classify as business expenses. A new franchisee's results may differ from the performance representation. There is no assurance that new prospects will do as well and must accept the risk.



president Eric Stites. "A franchisee could be meeting your expectations and you're happy making \$75,000 a year. Or somebody making twice that could be unhappy."

make all the difference.

7
Research.

Then research again. A franchise may pass all the above tests and still be in trouble if its underlying industry is about to change (think video rental stores). Research the industry you plan to join by reading business publications as well as the print and online trade press. Is a national fast-food company about to come out with a cheaper version of the very product your chosen franchise sells? Will Medicare soon stop funding the service you hope to provide? Due diligence can

8
Study the Franchise Disclosure Document.

Franchise salespeople used to send FDDs—many are several hundred pages long—to the homes of prospective franchisees. Now they just send you a link, and you can download the document onto your computer. Here are a few tips:

- Scroll to Item 3 in the FDD, Litigation. Most franchises have a pending lawsuit or two. But if you find a slew of franchisee lawsuits based on

**YOU WON'T
MAKE
MONEY
IF THE
BUSINESS IS
IN A
SECTOR
THAT'S
ABOUT TO
IMPLODE.**

language like "breach of contract" or "unfair encroachment," count yourself lucky that you didn't sign with that company.

- Turn to Item 20, the List of Franchise Outlets, and do some simple math. How many units have closed in each of the past three years? All franchisors were hit with closures during the recession. But if 5 percent or more of the franchises have shut down in a single year, it may be a red flag. If closures are minimal, print out this section, because you'll need it later.
- If the FDD has an Item 19, Financial Performance Representations, print it out, too. Franchisors are encouraged to include statistics about how much current franchisees are earning, but only about 35 percent of them do. New franchise systems simply don't have enough data; some older systems have the data but prefer not to share it, and franchise consultants wonder if that's because their numbers are not as rosy as their promotional materials suggest.
- Remember, the existence of an Item 19 does not mean you'll immediately see how much money you can make with a franchise. For starters, the majority of FDDs reveal total sales of franchises open for certain amounts of time—one year, three



Use your people skills for profit!

Own a **Coffee News** franchise.

- Top ten "Best of the Best" – *Entrepreneur*
- Be your own boss, work from home
- "#18 of the Top 20 franchises to Start" – *Forbes.com*
- Coffee News is written and published for you
- "12th Top Low-Cost Franchise" – *Entrepreneur*



Coffee News[®]

The World's Largest Franchise Publication!

Apply at www.coffeenewsusa.com/B0201

John@coffeenewsusa.com



REKINDLE AN OLD FRIENDSHIP...WITH BIG BOY[®]!

Want to become part of a restaurant system with over 75 years of history and tradition? Want to be associated with an American icon? Then take advantage of this opportunity to become a Bob's Big Boy franchisee!

- New, attractive inline prototype
- Smaller footprint means lower initial investment
- Loyal customer base
- World-class service standards
- Ongoing franchise support

We are actively recruiting passionate, driven franchisee candidates for California, Florida, Arizona, Texas and Michigan.



Contact us at franchiseinfo@bigboy.com or 1-800-837-3003 today for more information. Or visit us online at www.bigboy.com.

This is not an offer to sell a franchise. An offer can only be made through our Franchise Disclosure Document (FDD). ©2010 Big Boy Restaurants International LLC. Bob's Big Boy and Big Boy are registered trademarks of Big Boy Restaurants International LLC.

2011
FRANCHISE
500[®]

—Now offering—

Franchise Opportunities

*And A Diversified Path
to Private Pay*



Acappella
in Home Care

214-866-0085

acappellainhomecare.com



**Exceptional
Care**

Starts with

**Exceptional
People**

years, etc.—and not their profitability. These numbers may look impressive, until you start subtracting the cost of labor, rent, supplies and the like. And remember that the franchisor's royalty and ad fees are calculated on those gross sales, whether the franchise is profitable or not.

- Make sure the Item 19 numbers are based on franchised units, not corporate stores that don't pay royalties, Stites adds. And check whether the totals in each category are means or averages. "Especially in a smaller system, averages can be skewed by a handful of high-performing units," he says.
- A good FDD breaks down average franchise unit sales per year, then subtracts average expenses, such as the cost of goods sold, labor, rent and other facility expenses, the cost of equipment as well as general and administrative expenses to get to EBITDA (earnings before interest, taxes, depreciation and amortization). What's left is the total owner benefit. Numbers may be further broken down according to the system's top-, middle- and low-performing franchisees and/or by the number of years franchisees have been in business.
- If that owner benefit looks enticing, does it mean you'll be making similar money if you open the same franchise in your community? Perhaps. But you or your accountant must run other numbers first. Scroll to Items 5 and 6, which spell out the total fees to join the franchise, including royalties and monthly assessments for technology, back office support and other charges.

Next, Item 7, Estimated Initial Investment, is crucial. Print it out and match the franchisor's suggested numbers with what is available in your area. This works best if you compare Item 7s from one or two other franchises in the same sector at the same time. Are commercial rents in your town higher or lower than the franchisors suggest? What about the going rate for hourly workers? If you're borrowing money to open the franchise, make sure you add in your monthly payments and interest costs. Once you

subtract all the expenses you added up from Items 5, 6 and 7 from average total sales, that owner's benefit may look more attractive or less so. Or you may discover that one of the competing franchises could be less expensive to run, and therefore more profitable, in your community.

Dale Jacobs, a franchisee with Aaron's Sales & Leasing, an Atlanta-based franchise that leases computers, furniture TVs and appliances to people with poor or no credit, says that studying Aaron's detailed Item 19 helped him decide to open his first store in rural Kentucky in 2007. "I could see that for the first 24 months, you're spending more on inventory than you're taking in. But once that turns, you start to see a ramp-up in earnings," he says. Jacobs has since opened four more Aaron's and signed on for a total of 13 in Kentucky, Tennessee and Virginia.

- If the FDD has no Item 19, you can make a rough estimate of total sales by turning to Item 21, Financial Statements, and dividing annual royalty income by annual franchise sales. If you then divide that number by the number of franchises open for the full year, you'll get an idea of gross sales per franchised unit. Or you can just ask current franchisees what they're making.

9

Meet the people.

It's smart to visit (or at least call) franchisees who already operate the concept. Obviously, you can't begin by asking their income, but if you've studied the FDD, you can say something like, "According to the franchisor's Item 19, a unit that's been open for three years should have [this amount] in total sales. Has that been your experience? Were your expenses higher or lower than those spelled out in the FDD?"

Franchise Research Institute/Franchise Survey CEO Jeff Johnson suggests beginning every conversation by

**2011
FRANCHISE
500®**

TALK TO FRANCHISEES. ARE THEY SATISFIED FINANCIALLY?

stressing that you will keep their answers and opinions confidential. "If franchisees fear you'll be reporting their comments back to the franchisor, they'll never tell you if there's a problem," he says.

Jim and Vera Duchak called 14 franchisees before opening a Right at Home franchise in Zelienople, Penn. "We started out investigating two different senior-care franchise systems," says Jim Duchak, "but were leaning toward Right at Home because it was a more mature company. We asked our accountant and attorney to review their FDD, and they agreed that it was very thorough."

The Duchaks then grouped franchisees by how long they'd been in the business, "and we had conversations with those people," he says. "We checked the Item 19 numbers with them, but we didn't leave it at that. My phone calls always ended with, 'Are you satisfied financially? Was this a good decision?' When the people who had been open for three years or more all said they felt they were providing a good service at a fair price, we decided to go ahead." The couple opened their franchise in September 2010 and feel they are on track to do as well as other owners.

So, will your franchise be profitable? No one knows for sure. But if you choose one that fits who you are, avoid those where there are obvious warning signs and, of course, conduct a thorough investigation, you will help put the odds in your favor. **E**

JULIE BENNETT IS A FREELANCE WRITER.

Wanna keep it natural?

NOT JUST SWEET.
ORGANICALLY SWEET.

Candy Bouquet has added a delicious selection of organic hard candies to its vast collection of sweets! Get in on the fun and join the Candy Bouquet family as a home-based or storefront business.

Candy Bouquet franchises start at \$5,000. Visit our website below or call us today: 501.375.9990 or toll free 877.226.3901

557 FRANCHISES IN OVER 30 COUNTRIES.
LOW START-UP COSTS. NO ROYALTIES.



candybouquet.com®

44 EXPRESS OIL STORES HIT \$1MM IN SALES IN 2009, BEATING THE INDUSTRY AVERAGE BY 63%



TO LEARN MORE ABOUT HOW TO BECOME A FRANCHISE OWNER, VISIT US AT WWW.EXPRESSOIL.COM.

**EXPRESS
OIL CHANGE
& SERVICE CENTER**

A utilização deste artigo é exclusiva para fins educacionais.

Copyright of Entrepreneur is the property of Entrepreneur.com, Inc. and its content may not be copied or emailed to multiple sites or posted to a listserv without the copyright holder's express written permission. However, users may print, download, or email articles for individual use.

Fonte: Entrepreneur, v. 39, n. 1, p. 96-107, 2011. [Base de Dados]. Disponível em: <<http://web.ebscohost.com>>. Acesso em: 22 fev. 2011.