Opportunities in Franchising: Frequently Asked Questions ..... And Answers

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Topics of Discussion

- Background about Chris Cynkar
- Top 10 Questions – Asked & Answered
- Next steps
Who is Chris Cynkar

- Accounting & finance background – CPA, Big 4 firm
- Business owner – since 1999
  - 6 business acquisition
  - 1 fantastically bad startup
  - Franchise owner with 3 different brands
- Franchise Consultant with FranChoice
- Adjunct professor at Carnegie Mellon - Entrepreneurship
Why am I here today?

• I want you to be a business owner!

• Franchising is the ideal transition from employment to business ownership

• Allow me to be your bridge to business ownership
Question #1:

Aren’t all franchises food related?
Franchising is VERY diverse

- MANY different industries
  - Automotive
    - Meineke, Jiffy Lube
  - Business Services
    - Supporting Strategies, Sandler Sales Training
  - Healthcare
    - Miracle Ear, Right at Home
  - Personal care
    - Massage Envy, Deka Lash
Question #2

How much money can I make?
2 Different Income Questions

Income Potential

Speed to Profit
What Income is Possible?

- What is the income potential?
  - > $50,000 profit - YES
  - > $100,000 profit - YES
  - > $250,000 profit - YES

- How do you build more income?
  - Multi-Unit Ownership
  - It is the “secret of franchising”
Speed to Cash Flow

- What models are quick to profit?
  - Owner-operator vs manager-run
    - Pay yourself instead of a manager
  - Service vs retail
    - Finding a location takes time
    - Retail has more overhead expenses
  - B2C vs B2B
    - B2B sales cycle is typically much longer
Question #3

How much does it cost to invest in a franchise?
Investment Levels are Affordable

- Very wide range - $50,000 to $3,000,000
- Price and success are NOT correlated
- Most franchise investments are $100,000 - $250,000
  - Includes ALL business expenses: franchise fees, startup costs & working capital
  - Does NOT include your personal living expenses
Question #4

What are the financing options?
Multitude of Financing Options

- Identical to buying a house
  - Equity down payment – 30% of total
  - Loan options – 70% of total
Equity Investment Options – 30%

- Option #1 - Start with cash savings

- Option #2 – 401k rollover
  - Not a distribution, not a loan
  - No taxes, no interest, no penalties
  - Invest in your own company!

- Option #3 – Find a partner
Loan Options – 70%

• Good news – banks love franchises
  • Proven systems = reduced risk!

• SBA loans are the primary option
• Home Equity LOC
• Margin loan against a brokerage account
Question #5

What will I do every day?
Owner’s Role

What is your daily involvement level?

- Owner-Operator
  - Daily, direct involvement
- Executive Owner
  - Daily, indirect involvement
- Semi-Absentee Owner
  - Weekly, indirect involvement
Owner-Operator Model

- Split role – Owner and General Manager
- You serve the center point of the business
- Interact daily with customers & employees
- Love the business
- Example – Budget Blinds
Executive Owner Model

- Dual role – Owner and CEO
- You interact with the business daily
- Managers interact with customers & employees
- You set strategy, build the team & manage financials
- Example – ServPro
Semi-Absentee Owner

- **Perfect transition from employee to owner**
- Single role - Owner
- Part-time commitment (10-15 hours/week)
- Management team does ALL day to day
- Example – Sport Clips
What about sales? (I don’t like sales.)
You have Choices with Sales

• Which option works best for you?

• #1 – **YOU** sell directly to customers

• #2 – Manage a sales team

• #3 - Marketing driven
Question #7

What is the “best” franchise?
It Depends

- Similar to finding the “best” restaurant
- What do you really want?
- This is where you really need some guidance
Key Evaluation Criteria

**Primary Factors**
- Owner’s Role
- Sales & Marketing Role
- Capital to Invest
- Income Goals

**Secondary Factors**
- Location
- Employee related
- Industry preference
- Brand maturity
“Best Of” Rankings

- Most are generally not reliable because the franchise companies can pay to be included
- Some sources are more objective
  - Entrepreneur magazine – every January
  - Forbes magazine
  - Franchise Business Review
Question #8

What are the success rates?
Success Rates are Higher than you Think

- There are more than 2,500 active brands

- Look at each brand individually
  - Reference the FDD – Item 20

- FranChoice pre-screens opportunities in order to only work with the best of the best
Question #9

What does the process look like?
From idea to reality

**Phase 1**
- Franchise Due Diligence
- 8 to 10 weeks

**Phase 2**
- Setup – site selection, construction, training
  - Service 4 weeks
  - Retail is longer

**Phase 3**
- Ramp up – from startup to profit
  - Timeline varies based on brand specifics
Franchise Due Diligence

**Foundation**
Internal conversations with franchisor

**Validation**
Confirm your beliefs by talking to current owners

**Confirmation**
Meet the executive; are they the right partner?
Question #10

What are the next steps?
Treat This Like Buying a House

- Set your basic search criteria
- Start researching the basics
- Connect with an expert
I can be your Franchise Expert

- I will work with you to:
  - Understand your situation and goals
  - Present you with pre-screened options
  - Guide you, step by step to make great decisions
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