

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

Presented by:

Chris Cynkar, CPA

Franchise Consultant, FranChoice

Adjunct Professor, Tepper School



# 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



# Top 10 Franchise Questions – Asked & Answered

# 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



▽ SUPPORTING  
strategies

 Miracle-Ear®

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



# Question #6

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

The logo for Forbes magazine, featuring the word "Forbes" in a white, serif font on a black rectangular background.

- Some sources are more objective
  - Entrepreneur magazine – every January
  - Forbes magazine
  - Franchise Business Review

The logo for Entrepreneur magazine, featuring the word "Entrepreneur" in a red, serif font.The logo for Franchise Business Review, featuring the words "Franchise Business" in a small, black, sans-serif font above the word "REVIEW" in a large, bold, red, sans-serif font.The logo for FranChoice, featuring the word "FranChoice" in a blue, sans-serif font with a blue arc above the text.

# Question #8

What are the success rates?

# Success Rates are Higher than you Think

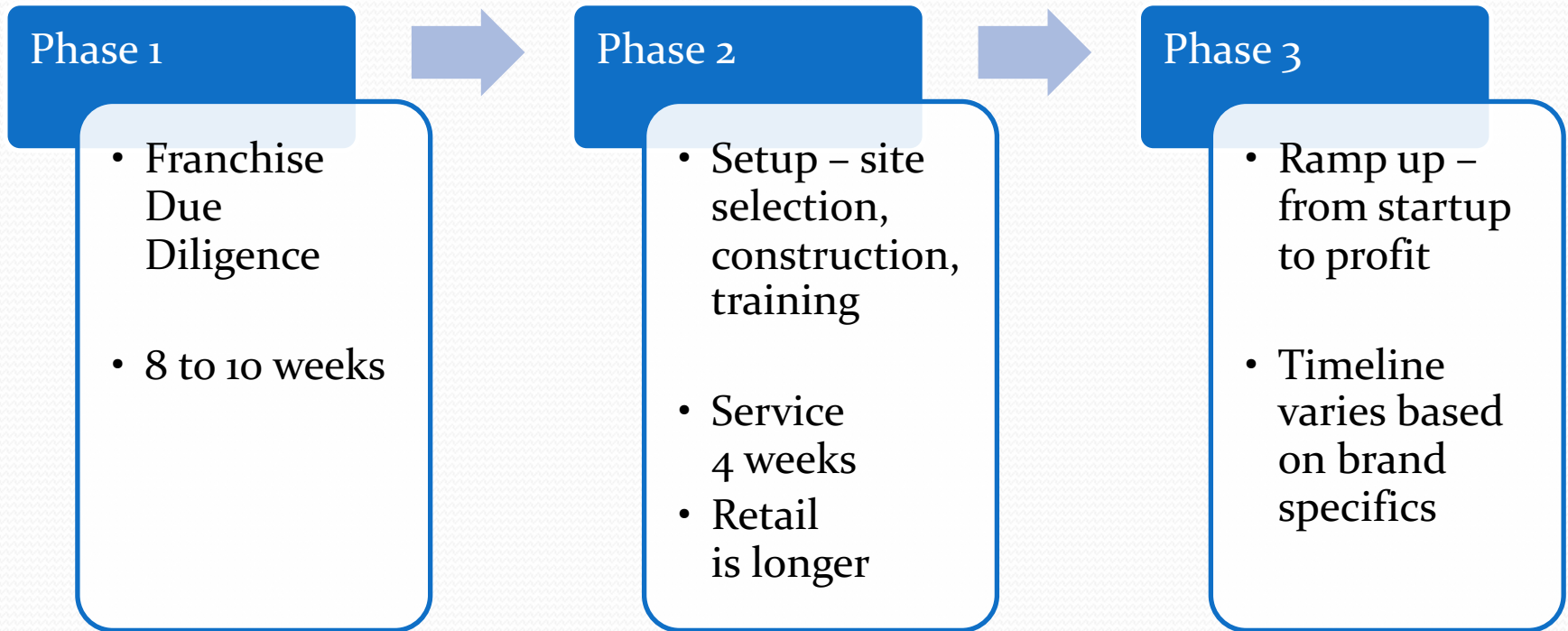
- There are more than 2,500 active brands
- Look at each brand individually
  - Reference the FDD – Item 20
- FranChoice pre-screens opportunities in order to only work with the best of the best



# Question #9

What does the process look like?

# From idea to reality





# 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



# How to contact Chris

- Chris Cynkar
- 412-877-2000
- [ccynkar@FranChoice.com](mailto:ccynkar@FranChoice.com)
- [www.chriscynkar.com](http://www.chriscynkar.com)

