

Opportunities in Franchising: Frequently Asked Questions And Answers

Presented by:

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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



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

The Forbes logo, featuring the word "Forbes" in a white serif font on a black rectangular background.The Entrepreneur logo, featuring the word "Entrepreneur" in a red, stylized serif font.The Franchise Business Review logo, featuring the words "Franchise Business" in a small black font above the word "REVIEW" in a large, bold, red sans-serif font.The FranChoice logo, 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

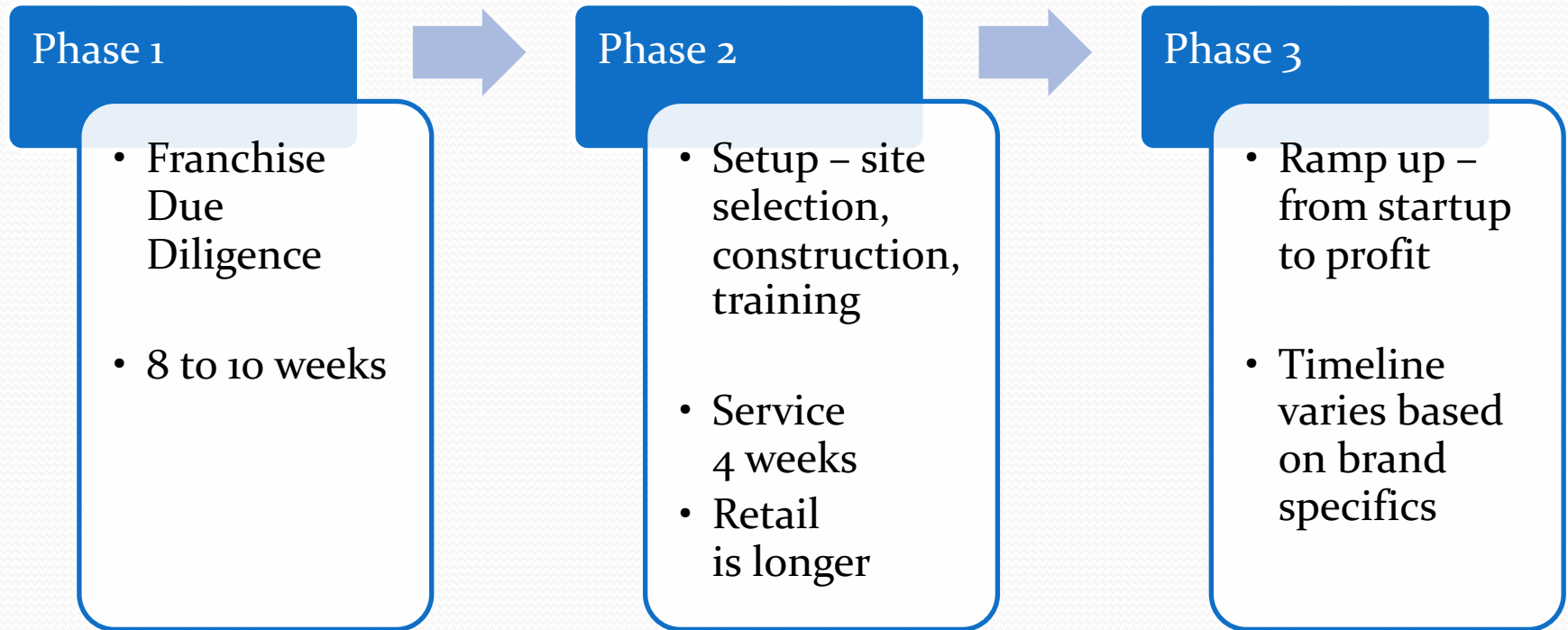
- There are more than 2,500 active brands
- Look at each brand individually
 - Reference the FDD – Item 20
- FranChoice pre-screens opportunities in order to only work with the best of the best



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



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