McCombs Career Webinar

Thursday, June 20, 2013
How to build wealth via franchising

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Agenda

- My story
- 5 Success stories
- Franchising overview
- 3 Employment choices
- 6 Alternatives to find a franchise
- 4 Keys to choosing the perfect franchise
- 4 Quadrants of franchising + examples
- FranChoice process and franchisors
- Contact information
Success Story # 1

- “Sophisticated” Retail
- 4 partners (senior level corporate)
- Mature concept = 0 failures/0 litigation
- Commercial real estate play
- 1 p/t employee manages multiple locations
- High ROI/ROA with incredible validation
- Investment per unit of $500k give or take
- Absentee + scalable
- Residual income stream/needs based/recession proof
  - Results – 1\textsuperscript{st} unit exceeded break even Day 1
Success Story # 2

- B to B
- CEO/Empire Builder mentality
- Pioneer concept = more geographical potential
- Multiple business targets to generate revenue
- Low employee (or Technician) count
- High margin with quick breakeven
- Low 6 digit investment
- Part time (or full time)
- Residual income stream/needs based
  - Results – Numerous large multi-unit accounts landed!
Success Story # 3

- B to C
- Laid off 57 year old mid-level corporate employee
- Mature concept = dominant player in industry
- Hands-on and full time
- Home based with 1 employee/technician
- Strong net margin with excellent validation
- Single territory investment of $90k with $35k financed
- Transactional and needs based
  - Results – Breakeven in Month 2
Success Story # 4

• “Simple” Retail
• Family business/diversification play
• Pioneer concept = only national player
• Semi-absent and Manager run model
• Low employee count/Contractor
• Net profit (Item 19) exceeds capital investment (Item 7)
• Single unit starts in low to mid $100k range
• Recurring revenue; meaningful contribution to local community
  • Results – On track to break even within 6 months
Success Story # 5

- “Sophisticated” Retail
- Husband (near retirement) and wife team
- Mature concept
- Recession proof/needs based
- Easy operations
- Strong unit economics
- Big territory with high growth potential
- Potential for quick positive cash flow while exiting job
  - Results – just executed their agreements and in training!
Franchising - 2 statistics

• 10/90 vs 90/10
  • IFA study from the late 90’s

• *The Millionaire Next Door*
  • Stanley and Danko
Franchising

- Method of distributing product or service
- Franchisor owns right to name/trademark
- Franchisee purchases the right to use the trademark and system
  - A MODEL FOR DOING BUSINESS!
  - NOT ALL FRANCHISORS ARE CREATED EQUALLY!
Advantages of Franchising

- “Unlimited” income potential
- Proven system = fewer mistakes
- Business partnership
- Tax benefit
- Wealth generation
- Operating system/training and support
- Asset creation
- Relative “ease” of resale
Perceived Disadvantage of Franchising

- HIGH investment
- LOW Margin
- SLOW breakeven
Franchise Disclosure Document

• 1978 – FTC issues guidelines requiring every franchisor publish and share with prospects

• Education tool
  • 14 day review prior to executing a Franchise Agreement
  • Provide enough info so the candidate can make an educated decision

• Items 1 through 23
  • Item 7 – Estimated Initial Investment
  • Item 19 – Financial Performance Representation
3 Employment Choices

- Work for someone – Job
- Go it alone – Entrepreneurship
- Partner with success – Franchising
6 Alternatives to find a franchise

• Passion
• Scarcity
• Security
• Track Record
• Lemming
  • The **Right** Way…
The Right Way - Education!

• I want a franchise that fits my skills, lifestyle & financial goals and dreams

• so….

• I should **educate** myself on if my target franchise concept is a fantastic fit for what it is that I am seeking!
4 Keys to Choosing the Perfect Franchise

• Motivations
  • Why now?

• Characteristics
  • Retail vs Service, employees, hours/days, sales, investment

• Business Model
  • Hands on/full time or Hands off/semi absent (or absent)

• Business Size
  • Single unit, multi unit, Area Developer/Master License
4 Quadrants of Franchising

Simple Retail

Sophisticated Retail

Service (B to C)
(Business to Consumer)

Service (B to B)
(Business to Business)
The FranChoice Process

- Identify the right candidate
- Confidential Questionnaire
- Consultation/Model
- Company Intros/Validating with Franchisees

FREE SERVICE!
FranChoice Franchisors

- Low capital investment!
- Stunning unit economics with rapid breakeven!
- New (pioneer) and established (mature)!

ASSISTANCE with FINANCING!
Contact Information

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Thank You!

- The recording of today’s presentation, along with the PowerPoint slides, will be available on our Career Resources web page by early next week:

  http://www.mccombs.utexas.edu/Alumni/Career.aspx