

### Noteworthy Events

#### THANKSGIVING



November 27, 2014

#### FRANCHISE EXPO SOUTH



February 5-7, 2015  
Houston, TX

#### INTERNATIONAL FRANCHISE EXPO



June 18-20, 2015  
New York, NY

#### WEST COAST FRANCHISE EXPO



November 12-14  
Anaheim, CA

## THE INS AND OUTS OF FRANCHISING

By Albert Roman, Epoch Times | October 2014



The West Coast Franchise Expo Anaheim Convention Center was teeming with entrepreneurs Oct. 23 through 25

**ANAHEIM** –The West Coast Franchise Expo sought to connect national and international franchises with like-minded business professionals.

AAMCO Transmissions, Inc., Dunkin' Donuts, and Basking Robbins were present along with less well known franchises like Louisiana-based Smoothie King and Instant Imprints, based in Ontario, Canada, which offers comprehensive marketing services from shirt embroidery to car wraps.

Collectively, franchises contribute significantly to the U.S. economy by providing, directly and indirectly, 18 million jobs, according to a study published in 2004 by PriceWaterhouseCoopers.

The International Franchise Association, which was established in 1960 to support the healthy growth of franchises during a period of franchise influx, claims there are 825,000 franchises which contribute \$2.1 trillion in economic output in the United States.

**BECOMING A FRANCHISEE** - What is a franchisee and what does it take to buy a franchise? A franchisee is one or more people who are granted the right by a franchisor to market a product or service with an established trademark.

There are thousands of franchises in dozens of industries. Fast food, restaurants, auto, and retail are among the most common industries where franchises such as McDonald's, Outback Steakhouse, AAMCO, and Athlete's Foot thrive.

An initial franchise fee, which could range from \$10,000- \$100,000, along with ongoing royalty and advertising fees, are required to become a franchisee.

Gregory Cook from the International Franchise Association was manning IFA's booth at the Expo. He clarified that people don't necessarily buy franchises – they are awarded based on an investor's qualifications. In addition to meeting financial requirements, potential franchisees need to "fit the culture of the brand" he said.



## Are You An Ideal Franchisee?

Franchise Direct, October 10, 2014

How do you quantify an ideal? It's like the pursuit of perfection. It might be ultimately impossible, but the effort typically leaves you with the best possible outcome. In franchising, franchisors attempt to locate the best candidates for their systems by listing their specific qualifications.

The qualifying factors for franchises can be divided into three general categories: financial, business, and personal. The most obvious is the financial aspect. Can you afford to properly get the business started and run the business until it turns a profit? This is extremely important. The #1 reason for new franchisee failure is "uncapitalization" - not having enough money. Remember when doing your research, the figures disclosed in the Franchise Disclosure Document are simply a guide. Everyone's situation is different. Instead of the three months of working capital suggested, an incoming franchisee may need a year's worth of funds saved in advance to take care of life and business expenses until the franchise is producing a livable wage.

The business category covers the straight-forward, more easily measured, skills a prospective franchisee brings to the franchise operation. How many years have you operated businesses? Do you have franchise-specific experience? Do you have sales experience?

What would come up in a background check? These things are covered in the personal category of the qualifications. Most often franchisors look for a clean criminal history, little to no litigation, and good referrals. The personal factors also cover the less quantifiable reasons. These qualifications are usually gauged during interviews during the franchise opening process. These qualifications typically include a visible passion for the brand or service, a community mindset, and more.

## Meet Two Breakout Stars Behind 9 of the Fastest-Growing Franchises

There's a general rule of thumb in franchising: If a company didn't exist five years ago but now has hundreds of locations open, run in the opposite direction. Why? Because companies that expand so rapidly are often more interested in making a quick buck for their executives than in building a solid system for their franchisees.



### Bricks 4 Kidz

Before Brian Pappas took on the CEO position of St. Augustine, Fla.-based Bricks 4 Kidz, a franchise that runs Lego-engineering classes and camps for children, he did his due diligence, looking at a similar concept in California that had been in business for 10 years. That gave him the confidence that Bricks 4 Kidz, founded by Michelle Cote, could be a long-term business, not just a franchise fad.

But Pappas also realized that he and Cote had to hustle to make it work. Because the business requires little upfront investment and is simple to set up, a slow rollout would mean that competitors would have time to set up their own franchise systems, and mom-and-pops could set up their own Lego camps.

"We said, 'Let's get out there before someone recognizes that this is an easy business to clone.' It's a big advantage to be the first franchise to the market," Pappas explains. "We also said, 'let's be bigger and better and have a massive curriculum, so once the competition does come on the scene, it will be easier for our owners to compete against them.'"

In that first year, Bricks 4 Kidz sold five units. That figure jumped to 30 in 2010, doubled to 60 in 2011, and the company now has 600 units in 32 countries. The franchise is expanding at a rate of 10 to 20 units per month, and Pappas believes it will have 800 to 1,000 franchises in the U.S. and Canada in the next three years and 2,000 to 4,000 worldwide within five years.

One of the advantages of the system's size is that Bricks 4 Kidz is able to use national marketing. "We're at a point now where we're generating a lot of revenue for our marketing fund. Franchisees pay 2 percent, but that gets them huge national exposure," he says. "We advertise in children's magazines and in Working Mother, Parenting and airline magazines. Our smaller competitors can't do that. Our size has given us a critical mass that has made inroads into marketing we couldn't otherwise access. "While Bricks 4 Kidz is reaping the rewards of rapid growth, Pappas claims the company's commitment to supporting its franchisees remains steadfast. "We recognized from the beginning that support was going to be critical. There's no way to grow without a great support system," Pappas says.

That's why he tapped Dan O'Donnell, a 15-year industry veteran who had worked in a children's educational franchise, to serve as COO. "He brought a wealth of knowledge to our company," Pappas states. "You can't just sell a franchise, then let the franchisee loose to do their own thing with no help. He directs a team of over 20 people. Once someone leaves our training, on day one our team is calling them up to start work on their checklists. We don't let the grass grow under their feet to learn their secrets to success."



### ShelfGenie

P. Allan Young Jr., CEO of ShelfGenie, which designs and installs custom-built glide-out shelves and other organizing fixtures for homes and offices, credits much of his company's growth to a thorough review of prospective franchisees. Since the Atlanta-based company started franchising six years ago, it has grown to 160 units, more than halfway to the 300-unit goal set for North America.

At the same time, Young remains extremely selective about his franchisees. "I've seen companies where the franchise development team are the superstars. They walk through the office and everyone gives them high-fives," Young says. "Then three to five years later, they wake up with a franchise hangover because they've sold to the wrong people or can't support them. That's difficult to deal with."

Young believes ShelfGenie has been able to grow at a quick but measured pace because corporate has a strong relationship with each of its franchisees.

"We're unique in that I've been able to handpick each of our franchisees since day one," he explains. "We don't sell franchises at all. Even if someone was going to pay a \$1 million franchise fee to be part of our system, I wouldn't do it. There are times when I have not approved 50 percent of the people sent to our discovery days. It helps our stability not to be focused heavily on franchise sales."

In fact, for the first five years ShelfGenie didn't focus on selling franchises. It outsourced that function to another company that would bring in the best candidates for Young and his team to meet with. That way, they were able to take an objective look at each prospect instead of getting emotionally attached to someone's story. It also insulated the company from developing an unsustainable "sales first" ideology.

For Young, long-term success depends on a strong culture of support. "When someone starts a franchise system," he says, "they're usually good at one of two things: selling franchises or supporting franchisees. When we were first starting out, I realized we had to focus on one.

I chose support." Not only does ShelfGenie have a streamlined operations system, the company also offers 360-degree marketing for franchisees that includes all media buys, graphics and placement.

It's also developed 3-D design software and iOS and Android apps so franchisees can communicate design ideas more closely with clients.

"I like to think of franchises as cars," Young explains. "You know, a lot of people buy a car based on how it looks. I like to think of us like a small car, like a Kia or Prius--not a supercool car, but kind of neat. But what people are really buying is the engine. And we put a Ferrari engine in there. That's what our support system is."



## **Women in Franchising - Quick Chat with Kathleen Kuhn, president of HouseMaster Home Inspections**

Since its inception in 1979, HouseMaster Home Inspections has grown to nearly 400 franchises that have performed over two million home inspections. Recently, company president Kathleen Kuhn was nice enough to spare time in her busy schedule for an interview with Franchise Direct. She spoke in great detail about the future of HouseMaster and the real estate industry in general. She also gave advice on what prospective franchisees should look for in franchises as well as insight into what franchisors look for in potential franchisees.

### **What is the outlook for the real estate industry this year in general and for your franchise specifically?**

The outlook for both the industry and particularly for HouseMaster is extremely bright in 2014 as HouseMaster celebrates our 35<sup>th</sup> year. The housing market continues to rebound and HouseMaster franchisees continue to reap the rewards of their hard work, superior service offerings and consistent marketing efforts. The average tenure of a HouseMaster franchisee is over 14 years, so when the housing market turned, our franchisees were ready for it. As a result, even after a drop in 2008, HouseMaster has continued to grow.

HouseMaster is focused on kicking off our next decade of growth by adding several new revenue opportunities for our franchisees and taking our marketing systems to a new level. We have recently expanded our marketing team lead by our new SVP of Marketing, Brian Ranck. Brian is an exceptional marketing executive who is working closely with our franchisee community and our leadership to create and execute some of our most exciting initiatives yet. Our goal at HouseMaster is simple; we will once again dramatically raise the bar for the property inspection industry.

### **What are some trends to keep an eye out for within your segment of the real estate industry?**

Some of the trends I am seeing is the increase third party ancillary services such as a service that offers a report on the permit history of the home and local building records, and services that will alert a homeowner to possible recalls on products in their home. The correct addition of these services offer significant value to consumers and justify the additional cost to the consumers. If done incorrectly, additional services are nothing more than gimmicky and could cloud the key information that a consumer should be focused on during what is generally a very busy information packed home buying process.

### **What advice would you give to prospective franchisees on what to look for when researching franchises?**

Get to know the culture of the organization. This is critical. While the formal support provided by the franchisor must be strong, the best franchise systems have a true fellowship among their franchisees. This secondary layer of support is powerful and can be an important factor in terms of a franchisee's ROI on joining the system.

### **What are the most important traits HouseMaster looks for in prospective franchisees?**

Naturally we have certain liquid capital requirements as well as net worth requirements, but just as important are the less tangible traits. Self-confidence, strong communication skills as well family support are important characteristics we look for before we award a franchise. We love franchisees that come from entrepreneurial families or background as well.

### **Do you have any other comments or observations you would like to share?**

HouseMaster uniquely offers both owner operator opportunities and executive model opportunities. While a large majority of our franchisees do perform inspections, HouseMaster's unique niche in the home inspection franchise marketplace is with professionals that want to grow their business to a multi-inspector business which increases the business value and revenues. A quick comparison of HouseMaster's Item 19 compared with that of our competitors confirms this.

# Thanksgiving Fun Facts



- The Plymouth Pilgrims were the first to celebrate the Thanksgiving.
- They sailed on the ship, which was known by the name of 'Mayflower'.
- They celebrated the first Thanksgiving Day at Plymouth, Massachusetts.
- The Wampanoag Indians were the people who taught the Pilgrims how to cultivate the land.
- The Pilgrim leader, Governor William Bradford, had organized the first Thanksgiving feast in 1621. He invited the neighboring Wampanoag Indians to the feast.
- The first Thanksgiving celebration lasted three days.
- Benjamin Franklin wanted the turkey to be the national bird of the United States.
- Sarah Josepha Hale, an American magazine editor, persuaded Abraham Lincoln to declare Thanksgiving a national holiday. She is also the author of the popular nursery rhyme "Mary Had a Little Lamb"
- Abraham Lincoln issued a 'Thanksgiving Proclamation' on third October 1863 and officially set aside the last Thursday of November as the national day for Thanksgiving.
- The annual Macy's Thanksgiving Day Parade tradition began in the 1920's.
- In 1939, President Roosevelt proclaimed that Thanksgiving would take place on November 23rd, not November 30th, as a way to spur economic growth and extend the Christmas shopping season.
- Congress to passed a law on December 26, 1941, ensuring that all Americans would celebrate a unified Thanksgiving on the fourth Thursday of November every year.
- Since 1947, the National Turkey Federation has presented a live turkey and two dressed turkeys to the President. The President does not eat the live turkey. He "pardons" it and allows it to live out its days on a historical farm.
- The average weight of a turkey purchased at Thanksgiving is 15 pounds.
- The heaviest turkey ever raised was 86 pounds, about the size of a large dog.
- A 15 pound turkey usually has about 70 percent white meat and 30 percent dark meat.
- The five most popular ways to serve leftover turkey is as a sandwich, in stew, chili or soup, casseroles and as a burger.
- Turkey has more protein than chicken or beef.
- Turkeys will have 3,500 feathers at maturity.
- Male turkeys gobble. Hens do not. They make a clucking noise.
- Commercially raised turkeys cannot fly.