

Why Franchising? What You Need to Know

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Agenda

Why Evaluate Franchises:

Market Timing, Strategies and Lessons Learned

Franchising as a Business Model

Top Franchise Categories

Franchisees' Profile

Definition of a Franchise

What Makes up a Franchise Investment

Types of Franchises

Franchise Disclosure Agreement

Next Steps



A Little Bit About Me...

Co-Author, "Making The Jump into Small Business"

Profession: Advocate for career independence

Expertise: Many experiences in life raising capital, starting and acquiring businesses. Investing in a franchise during a career transitions. Entrepreneur since 32 years old. Educator, author, coach.

Types of Organizations: Relocated from NYC for a three-person tech startup up in WA State 1984, 1986-2002 managed up to 300 people, across international borders. Franchisee since 2002. Multiple boards, committees and voluntary work on community projects.

Main Qualities: Conservative risk taker. Passion in life is helping others succeed. Driving philosophy is for "work life" balance and working on a business versus in it.





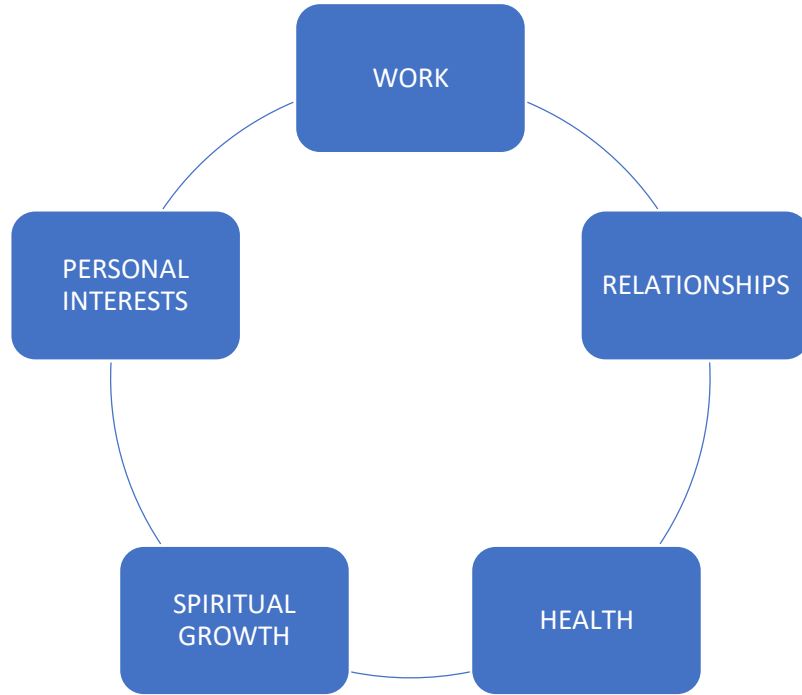
IF YOU DON'T BUILD
YOUR DREAM,
SOMEONE WILL HIRE
YOU TO BUILD THEIRS



The Definition of Franchising

From the French word “Franchise”
which means to free oneself from servitude.

Key Elements in Work-Life Balance



Are You Ready?

“50% of all adults 50 years or older will lose their job, no fault of their own and not recover economically”

<https://www.propublica.org/article/older-workers-united-states-pushed-out-of-work-forced-retirement>

Market Timing, Strategies and Lessons Learned

RECENT HISTORICAL ECONOMIC SWINGS

- 2000 Dot Com Bust
- 2007-2009 Great Recession
- 2019 -2022 Pandemic
- 2025 Who Knows ?



Recession?

In 1929 stocks crashed 89%
In 1974 stocks crashed 48%
In 1987 stocks crashed 23%
In 2002 stocks crashed 49%
In 2009 stocks crashed 57%
In 2020 stocks crashed 34%

But after every crash, there was an all time high.
If you invested \$1k in 1929, you'd have \$3.3M today.
Time in the market beats timing the market.

TikTok
@salesvibeinnovations



One in six workers in their 50s are self-employed, nearly one in three are self-employed in their late 60s, and more than 1 in 2 workers over the age of 80 are self-employed.

Cal J. Halvorsen and Jacquelyn B. James of the Center on Aging & Work at Boston College

[Making a New Start in a Business of Their Own - The New York Times \(nytimes.com\)](https://www.nytimes.com)

New Career Economy in the 21st Century



Credit Barclays Bank Research Paper, 2021

ARE YOU PREPARED?

Job cuts for middle managers — those below the executive ranks who still have direct reports — increased to **31.5%** of total layoffs in 2023, according to a data analysis by Live Data Technologies for Bloomberg. That's up from a little under 20% in 2018.

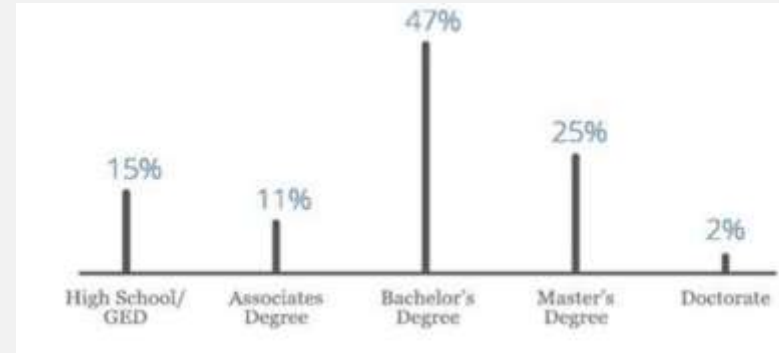


Education & Age Distribution for Franchisees

The most popular age range for prospective franchise owners is the mid-30s to mid-50s, with the average age of a franchise owner in the United States in 2021 being below 46 years old:

- **Generation X:** The largest group of franchise prospects, with 47.5% of prospects in 2020 year-to-date being 39–54 years old.

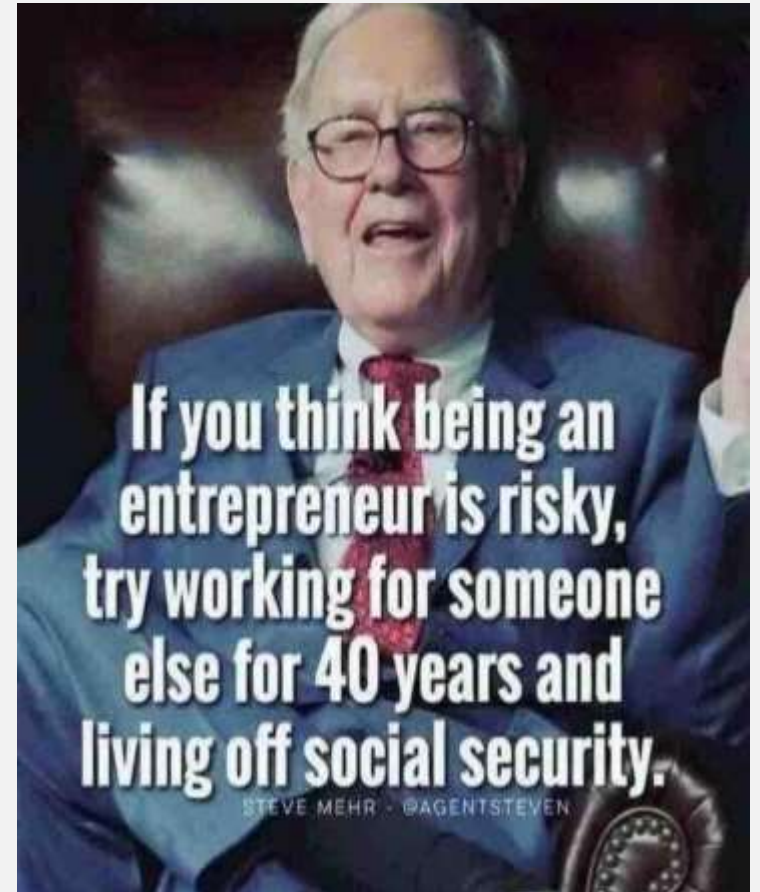
- **Millennials:** In 2021, more millennials were seeking franchise ownership than Baby Boomers for the first time.





...“Entrepreneurship is living a few years of your life like most people won’t, so you can spend the rest of your life like most people can’t.” ~ Anonymous

Consider this...



If you think being an entrepreneur is risky, try working for someone else for 40 years and living off social security.

STEVE MEHR · @AGENTSTEVEN

MAYBE IT'S TIME FOR A CHANGE!



A FRANCHISE is...

A distribution methodology

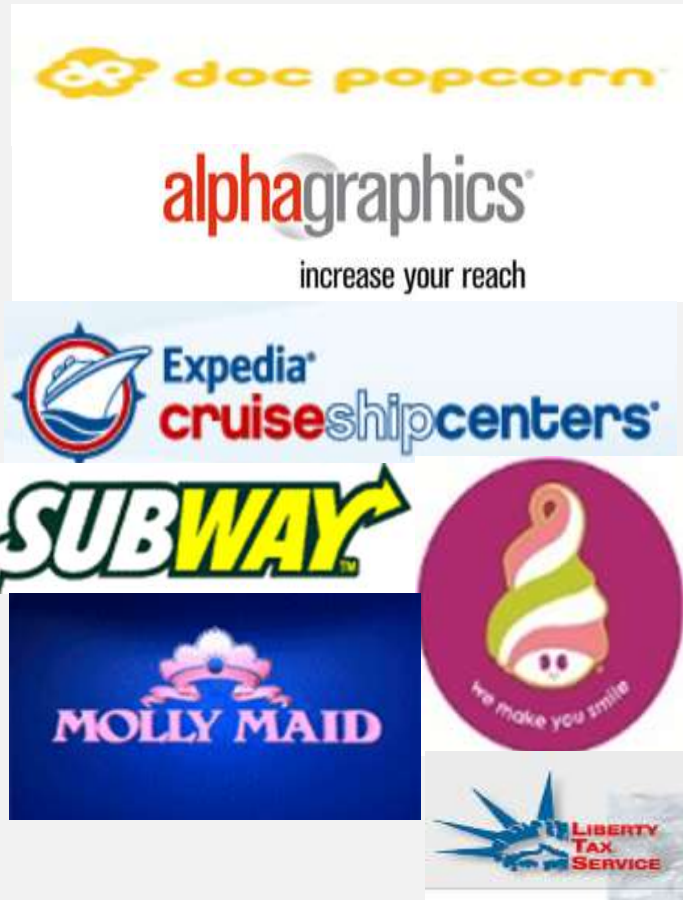
Specific, systematic, proven way of operating

High success rates vs. start-up businesses

Barriers to entry can be lower, fewer

Specific business experience not needed

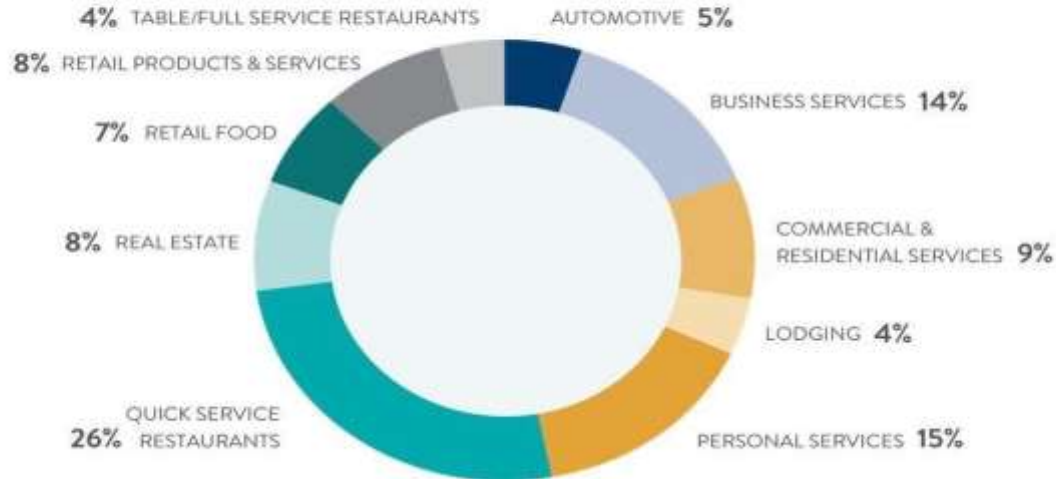
Working *for* yourself, not *by* yourself



Top Franchise Categories

- 1 HEALTH/ BEAUTY/ FITNESS
- 2 FOOD/ RESTAURANT
- 3 BUSINESS SERVICES
- 4 GENERAL RETAIL
- 5 HOME SERVICES

The real estate, healthcare, residential, business services, automotive and retail services make up more than half of the franchise industry.



Trends & Growth

Products/services for seniors

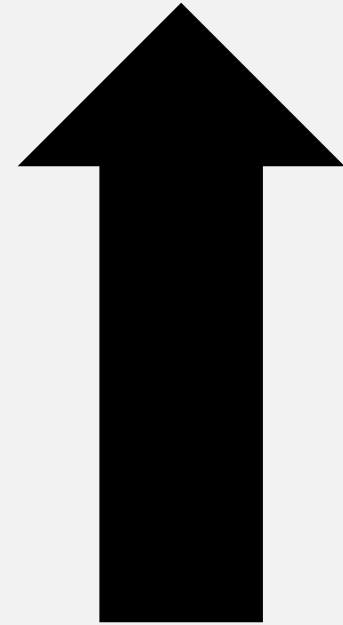
Early childhood education

Green products/services

Services for dual-incomer's

Business services

Health and Beauty



Franchisor Pluses/Minuses

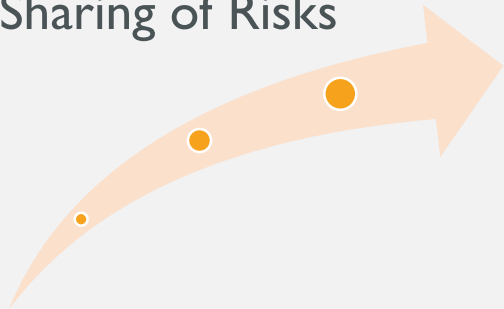
Faster growth, market share

Owners as motivated managers

Focus on business/future

Additional revenue streams

Sharing of Risks



Lack of control

Growth based on franchisees

Disparity in unit performance

Finding quality candidates

Regulations

Litigation/arbitration



Franchisee Pluses/Minuses

Early access to information

Instantaneous goodwill

Proven formula

Quick “turnkey” operations

Training, on-going support

Network of owners

Not a partnership

Royalties on revenues vs. profits

Market trends, mgt. vision issues

Units can impact overall reputation

Less control, independence



A Strong Franchisor-Franchisee Relationship

Franchisee participation in decision making

Multiple Communication channels

Ongoing training

Benchmarking/P&L Assistance

A regularly scheduled convention

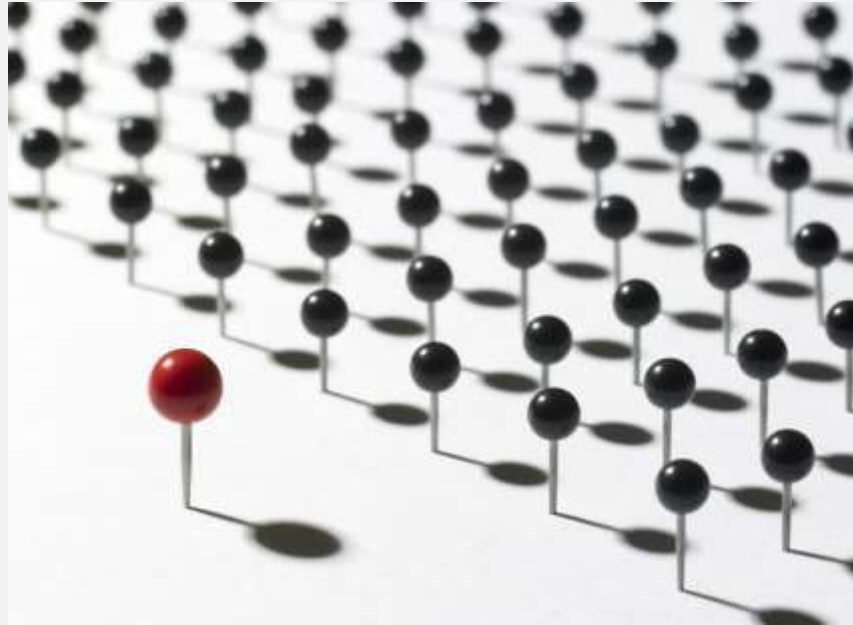
Marketing and ad support at local level

Purchasing restrictions/rebates supply chain

Incentives and real estate assistance



Sorting Through the Clutter



BROAD INDUSTRY PERSPECTIVES:

100 Automotive-Appearance Services
102 Automotive-General Repair & Related Services
104 Automotive-Rental & Leasing Services
106 Automotive-Tune-Ups, Lubes & Oil-Related Services
108 Baked Goods-Bagels, Etc.
110 Beauty Products & Services
112 Building and Construction Products & Services
114 Business-Advertising & Direct Mail
116 Business-Consulting & Financial Services
118 Business-General
120 Children's Products & Services
122 Clothing and Accessories
124 Computer Related
126 Consulting-Franchise and Business
128 Decorating Products and Services
130 Educational Services and Training Programs
132 Health and Fitness Products and Services
134 Lodging
136 Maintenance-Commercial Cleaning & Maid Service Agencies

138 Personnel Services and Employment
140 Pet Products and Services
142 Photography and Photo Services
144 Printing Services
146 Publications
148 Real Estate Brokerage and Related Services
150 Restaurants-Family Style
154 Restaurants-Traditional Fast Food
156 Restaurants-Pizza
158 Restaurants-Sandwiches and Salads
160 Retail Food-Convenience Stores
162 Retail Food-General
164 Retail Stores-General
166 Retail Stores-Gifts and Crafts
168 Security and Home Improvement/Inspection
170 Service Businesses-General
172 Service Businesses-Mailing, Packaging and Shipping
174 Service Businesses-Signs
176 Sports and Recreation-General Goods and Services
178 Travel Agencies and Services
180 Video Rental and Taping Services

Total Investment

Franchise Fee

Property, Plant & Equipment

Operating Capital



YOUR PRIMARY AIM & STRATEGIC OBJECTIVE

Sole Contributor	Service Businesses	Small Box
Investor/Manager	Specialty	Resales and Conversion



Financing Considerations

Liquidity

Monthly Income Requirements

Borrowing Capacity

FICO Score

Net Worth

Prequalification: www.gfpreequal.com/KCLS



Legal Structure & Documents

Two Main Franchising Documents:

- Franchise Disclosure Document (FDD)
- The Franchise Agreement (contract)

Additional Legal Considerations:

- Incorporation
- Partnership Agreements
- Buy/Sell if Purchase



Topics covered in Franchise Disclosure Documents (FDD)

- 1) The Franchisor, its Predecessor & Affiliates
- 2) Business Experience
- 3) Litigation
- 4) Bankruptcy
- 5) Initial Franchise Fee
- 6) Other Fees
- 7) Initial Investment
- 8) Restrictions on Sources of Products & Services
- 9) Franchisee's Obligations
- 10) Financing Available
- 11) Franchisor's Obligations
- 12) Territory
- 13) Trademarks
- 14) Patents, Copyrights & Proprietary Information
- 15) Obligations to Participate in Operations of Franchise Business
- 16) Restrictions of What the Franchise May Sell
- 17) Renewal, Termination, Transfers, & Disputes
- 18) Public Figures
- 19) Earnings Claims
- 20) List of Franchise Outlets
- 21) Financial Statements
- 22) Contracts
- 23) Receipt

Key Subjects in a Franchise Agreement

Use of Trademarks

Location of Franchise

Term of Franchise

Franchisee's Fees and Other Payments

Obligations & Duties of Franchisor

Restrictions on Goods & Services Offered

Renewal, Termination & Transfer of Agreement



What's Next

Know “YOUR” Income, Lifestyle, Wealth and Equity Goals

Make sure the franchise is registered in your State or Province

Ask the franchisor for a complete understanding of the business model

Read the FDD

Consider a franchise coach

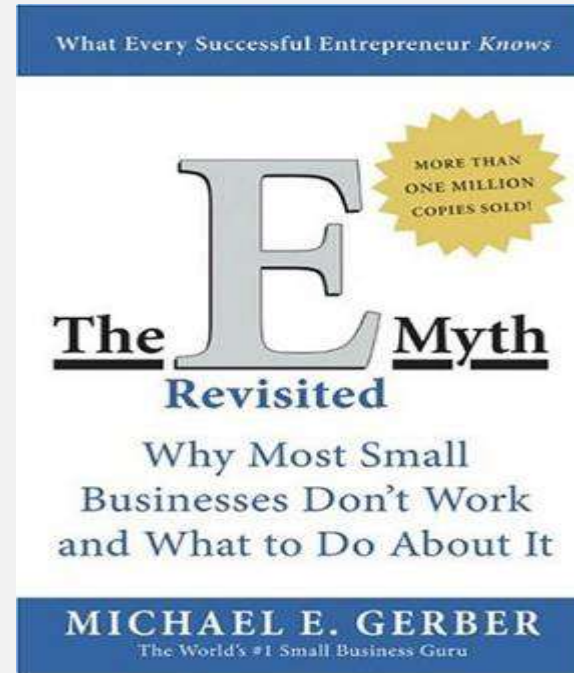
Education creates options, not commitments.

Nurture and owner mindset

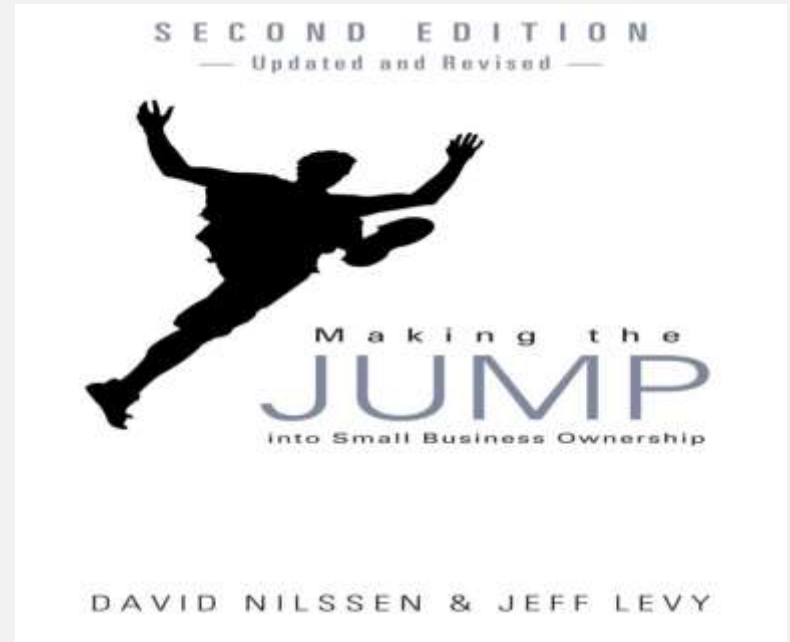


Why Most Independently owned Businesses Don't Work

Working “On” your
business versus working
“In” your business



My Point of View



Where Can I Get Help?

www.Franchise.org

www.vetfran.com

www.score.org

www.businessimpactnw.org

www.Entrepreneur.com

www.sba.gov/content/franchise-businesses

<http://business.ftc.gov/documents/inv05-buying-franchise-consumer-guide>

<https://www.guidantfinancial.com/partner-experience/2023-small-business-trends/>

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**If You Limit yourself to What's
Comfortable, You Deny Yourself What's Possible!**

Quote: Dan Thurmon

Thank you

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