Market Differentiation
Knowing if your business is franchisable, and how to stand out.

Vetting Franchisees
How to select the right franchisees, and support their growth.

Best Locations
Will brands move away from retail fronts to more integrated operations?

Financing a Franchise
The most important part of launching a franchise? “You must have a war chest.”

+ STAFFING + CULTURE + BRANDING + CHOOSING AN ATTORNEY + FRANCHISING RESOURCES + THE BEST FRANCHISE CONCEPTS + CONTRACTS + MARKETING

Volume 1

CREDIBLY BUSINESS JOURNAL

Grow Your Business Through Franchising

CREDIBLY

CREDIBLY BUSINESS JOURNAL: GROW YOUR BUSINESS THROUGH FRANCHISING - VOLUME 1

INSIDE

Grow Your Business Through Franchising

"Without continual growth and progress, such words as improvement, achievement, and success have no meaning." - Benjamin Franklin

Welcome to the inaugural issue of the **Credibly Business Journal**, a quarterly publication full of expert advice for business owners, by business owners.

So why would a lending platform launch a journal? Because the core tenet of the "Credibly Experience" is being a lending partner who provides counsel and education to our customers and partners. From our **InCredibly** blog to our monthly newsletters, helping entrepreneurs navigate the financial nuances of running a small business is baked into our company culture.

We decided to devote this first issue to growth — specifically, how to expand a business regionally, nationally, even globally — because we're often approached for funding by businesses seeking to franchise.

For this journal we reached out to over a dozen leaders in the

franchising world, including the founders of major brands such as the CEOs of Blink Fitness and 1-800-GOT-JUNK?, acclaimed franchise consultants, attorneys, and best selling authors.

In the pages that follow, you'll read their advice on topics such as marketing, vetting franchisees, legal considerations, scouting the best locations, costs involved in launching a franchise, and much more.

With growth-oriented businesses in mind, we also recently announced our **Business Expansion Loan**. A term loan of 18 or 24 months, we're able to offer much lower rates to small businesses that have reached a certain level of stability. This, in addition to our **Working Capital Loans**, means we now have a financing solution suitable to every small business across the credit spectrum.

I hope you find the tips in this journal helpful, and that as you look to scale your own business — whether it be through franchising or other growth opportunities — you'll consider Credibly for simple and intuitive access to **right-sized capital**.

I welcome your feedback, and thank you for reading.

Glenn Goldman

CEO, Credibly

Tom DuFore, *President and Founder of Big Sky Franchise Team*

The Benefits of Franchising

"In my experience, almost every business in every business sector has the ability to be franchised."

Tom DuFore, President and Founder of Big Sky Franchise team

Why franchise your business? What are the benefits?

There are three primary reasons that are pretty consistent among businesses that franchise. The first is capital or money — or rather, using other people's money to grow your business, which is really what franchising does. Someone else is going to invest the necessary capital to open the location or territory. They're going to buy the vehicles, furniture, fixtures, equipment, inventory, and whatever else is needed to run and operate it. This tends to be the #1 driver as to why a business would consider franchising. But it's not the only driver.

The second component is human capital, which is the personnel or people side of the business. As any small business owner who's tried to expand into multiple locations or territories knows, finding good quality employees or managers is always hard, and when you find them, they're always difficult to keep. So when you franchise, you're not only getting someone who's going to invest in your business but you're also getting someone who in most situations will be that vested owner and operator who will keep a close eye on the business.

And the third reason someone might franchise their business is speed and the ability to grow more rapidly. Even if you were to only sell one franchise a year for the next 10 years, that's faster growth than most small to mid-sized businesses would have on their own. A phrase that I use here is, "You can catch lightning in a bottle and it can explode." Some of the brands and clients that we've worked with over the years have gone through an explosion that's very exciting. Jantize is up to almost 300 franchises in three years, which is remarkable growth. It's the exception, not the norm, but it's a possibility that could happen.

"You can catch lightning in a bottle and it can explode."

Could any business that provides a service theoretically be franchised, or are there certain business types that just aren't suited for it?

In my experience, almost every business in every business sector has the ability to be franchised. There's nothing that says, "Well, you can't be franchised." What's important is that there's an operating prototype that's profitable. If someone buys a franchise from you, can that person make a living running that business?

You also have to feel comfortable that the success of your business is not an anomaly — like your business just randomly works because you're this amazing superstar. If you were to disappear, would the business fall flat or die out? That's a very broad standard to start with, and then we can break it down further. Is the business something you can train someone how to run in anywhere from one day to two months? Is there, at minimum, a regional consumer base for your service or product?

Then we look for a return on investment for the franchisee. It takes a couple years for a business to break even and become cash flow positive. Can this franchise provide, typically, a 20% return on cash-on-cash investment after the second year? And after that second year, can the owner-operator make a manager's salary plus that 20% return on investment? If so, there's no reason that business can't be franchised.

What are the first steps a business needs to take to become a franchise?

The first thing we always recommend is to have an initial consultation with a franchise specialist. At its core, franchising is a method of distribution, and it may or may not be the best method to expand and grow your business. Our company offers free consultations to businesses of all shapes and sizes that are considering the idea of franchising, and part of our service is to evaluate and make a recommendation as to whether or not we think franchising would be a good fit for them.

Most companies have never franchised before, so our role is to hold their hand through the process if they decide to move forward. We start with the strategy and building out a franchise plan, where we identify the financial drivers of the business — answering the who, what, when, where, why, and how first — and then build that into the franchise disclosure document, the franchise agreement,

"Most companies have never franchised before, so our role is to hold their hand through the process if they decide to move forward."

the operating manuals, and finally a marketing plan and franchise marketing collateral. We also get our clients connected with an attorney that specializes in franchising, which is an essential part of the process.

We believe that the legal documents define the business, but we don't believe they drive it. We have to establish what those drivers are first, and then they can get documented into the business. We determine that with comprehensive cash flow analysis, five-year cash flow projections, competitive benchmark analysis, and many other things that go into building out a 40 or 50-page business plan that's specific for franchising.

What does it cost to turn your business into a franchise, start to finish?

It's a fairly wide range. There are the do-it-yourselfers out there who will try to keep their costs down, and there are those who hire professional experts in the field to support them. Your cost for developing and putting together the franchise program will vary depending on the type of organization you work with, and it could range anywhere from $15,000 to $100,000. Some attorneys will charge up to $50,000, and then there are others that charge a fraction of that, depending on their pricing method.
But having the documents is just getting to the starting line. Now you can actually run the race. Our

> "A rule of thumb that I tend to use is, whatever the client spends to get their documents up and running, plan to roughly double that for your marketing."

company's stance is that we try to keep our upfront fees on the lower side, so that our client can focus most of their spend and investment on what we believe is most important, which is the marketing side of the business. We recommend that you spend your effort on gathering and securing leads, whether that's through Internet marketing, trade shows, publicity and PR, or other marketing sources.

A rule of thumb that I tend to use is, whatever the client spends to get their documents up and running, plan to budget roughly double that for your marketing. If you spent $40,000 building your franchise program, then plan to spend another $40,000 over the next 12 to 24 months on lead generation to get the phone ringing and emails coming in.

ABOUT TOM DUFORE

Tom DuFore is the President and Founder of Big Sky Franchise Team, where he is responsible for the oversight of Big Sky Franchise Team and consulting with and advising Big Sky clients.

Tom has personally worked with and advised hundreds of businesses ranging from the largest companies in the world to start-ups. Prior to starting Big Sky Franchise Team, Tom spent ten years as a Franchise Consultant working for multiple international consulting companies.

He also served as the Vice President of National Business & Franchise Development for the Rabine Group, a National Facilities Maintenance Construction Company with 15 business units. In his role he oversaw companywide Sales, Marketing, and National Expansion initiatives, helping the company expand from $125MM to $185MM in annual revenue in just two years.

Tom helped the Rabine Group become regionally and nationally recognized three consecutive years as a Crain's Fast 50 Company, and an Inc. Magazine 500|5000 Fastest Growing Company in the United States. Tom has been a guest speaker at the International Franchise Expo, International Food Service Show, Chicago Treasury Office Business Expo, and the Franchise Expo South. He holds a B.S. Degree in Management from Elmhurst College, and an M.B.A. degree from DePaul University's Kellstadt Graduate School of Business.

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Barry M. Heller, Senior Franchise Litigation Partner at DLA Piper

Contracts

A Franchise Disclosure Document (called an “FDD”) is a document that is generally required by law to be provided to a prospective franchisee to inform the franchisee of key provisions of the franchise agreement and certain information about the franchise and the franchisor, such as who the officers and directors are, prior litigation, financial condition, list of existing franchisees, etc.

What are the main things covered in a franchise agreement/contract?

There are many items covered in a franchise agreement, but probably the most significant ones are:

- What is the franchisee being granted
- What rights are the franchisor reserving to itself
- What will be the franchisee’s territory (if applicable)
- What are the franchisee’s obligations (e.g., are there minimum performance requirements
- What is the required royalty fee, as well as other fees
- What is the term of the agreement, and is it renewable
- What is the in-term and post-term covenant against competition
- What are the termination rights
- Can the franchise be transferred and what are the requirements
- How and where disputes will be resolved (e.g., arbitration or litigation)

> “In my over 30 years of experience doing franchise law, I have probably seen most, if not all, of the contract provisions violated by some franchisee…”

Are there any contract provisions that can be negotiated between franchisors and franchisees?

It depends upon the particular franchise offering. This is more likely to be the case when a franchise system is in its early stages of development.

Which contract provisions are most often violated by franchisees?

In my 30+ years of experience in franchise law, I have seen most, if not all, of the contract provisions violated by some franchisee at some time. The ones typically violated are the duty to pay royalties, sale of unapproved product, failure to maintain system standards, misuse of the trademarks, and violation of the in-term non-compete provision.

When it comes to choosing a franchise attorney, which qualifications or attributes are most important?

When looking for a franchise attorney, one should look for how much experience they have in the franchise field, including the number of years of practice in the area, the percent of their time devoted to franchise law issues, whether they have written and/or lectured on franchise issues, and in how many different industries have they dealt with franchise issues. Look for whether they have been recognized by Franchise Times as a Legal Eagle (i.e., the top franchise attorneys in the field), Best Lawyers and comparable sources.

ABOUT BARRY M. HELLER

Barry M. Heller is the most senior franchise litigation partner at DLA Piper. For over 30 years, Barry's practice has consisted almost exclusively of representing clients in franchise and distribution disputes throughout the country, both in litigation, arbitration and mediation.

Much of Barry's practice has focused on franchise termination matters, as well as more complex franchise cases involving issues affecting the entire franchise system. He has handled cases involving termination, transfers, rights of first refusal, implied covenant of good faith and fair dealing, alternative distribution channels, covenants against competition, trademark infringement, product sourcing and approval, advertising funds, acquisitions of other systems, antitrust and unfair competition.

Barry has been involved in both domestic and international franchise matters and has represented franchisors in actions involving individual franchisees, franchise associations, class actions, group actions, the Federal Trade Commission and suppliers.

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Brian Scudamore

Founder and CEO of O2E Brands: 1-800-GOT-JUNK?, WOW 1 DAY PAINTING, You Move Me, and Shack Shine

When did you know it was the right time to turn 1-800-GOT-JUNK? into a franchise? How did you know it would work as a franchisable concept?

In 1997, after a little over a decade in business, I hit a wall. 1-800-GOT-JUNK? was doing really well — business was profitable and consistent — but I couldn't seem to get beyond a certain revenue point. Nothing I did seemed to change our trajectory and I was feeling unexcited about the company.

I decided to go alone to my parents' cabin on Bowen Island in Vancouver, BC. The solitude gave me time to reflect on my goals, and for the first time, I let myself paint a picture in my head about what the future could look like. I didn't give myself limits — I envisioned how I wanted 1-800-GOT-JUNK? to look, feel, and act by the end of 2002. This became the "Painted Picture" and it included franchising my brand and becoming the world's largest junk removal service.

> If I can see myself having a beer with the candidate, it's likely the start of a great working relationship.

Many people told me it was impossible to franchise the junk removal industry. Every time I got criticism about my idea, I changed my approach and solved whatever problem someone said was unfixable. By continuing to go back to the Painted Picture and taking criticism as an opportunity to grow, I was able to franchise even though no one thought it would work.

Choosing the right people has been critical to your success. What advice do you have for new franchisors trying to evaluate and select franchisees? Which qualifications are most important?

Recruiting people — whether as franchise partners or as employees — is less about a checklist or resume, and more about trusting your gut. When potential hires or franchise partners come in the door, I ask myself,

> "Do I like this person? Do I find them interesting, and interested? Do they have passion for something in life?"

These questions boil down to one: "Would I enjoy grabbing a beer with this person?" Although it's hypothetical, it is incredibly powerful. It reveals to me if that person fits the culture I'm trying to build at the head office, and if they'll uphold the culture as a franchise partner operating in a different city or country.

If I can see myself having a beer with the candidate, it's likely the start of a great working relationship. Having the right qualifications for the gig is essential, but the Beer Test determines if the candidate is compatible with our culture and is interested in building something bigger, together.

How much responsibility do franchise businesses have to franchisees who are struggling? How can franchisors support their franchisees to keep them successful?

We provide proven systems and an established brand, and we support our franchises with regular field visits, regional meetings, and an annual Kickoff where we go over best practices and new procedures. Franchise partners have access to our corporate head office and staff in any department at any time — our policy is to respond to any email or phone call within a business day. We see our franchise owners as business partners, and foster a symbiotic relationship between them and our corporate staff.

I see franchise partners as we call them today — as 'entrypreneurs.' We offer an entry point for aspiring entrepreneurs, who might not have access to the expertise or capital to launch a business themselves. There's a lot of support offered from our head office, of course, but building a successful business depends on our entrypreneurs tapping into the same skills, risk-taking spirit, and grit of any startup.

What's the key to effectively marketing a franchise? 1-800-GOT-JUNK? benefited from a catchy name (and TV exposure on Hoarders). What else did it take to create positive sentiment and loyalty around your brand?

1-800-GOT-JUNK? owes a lot of its recognition to guerilla marketing and public relations. In the early days, we did a variety of public stunts to get customer attention, whether it was donning blue wigs and standing on street corners or piling a couch on top of a car and driving it around. When we landed Oprah, we experienced a period of hyper-growth and sold out our franchises in North America. Media has been key.

“Many people told me that it was impossible to franchise... Every time I got criticism about my idea, I changed my approach and *solved whatever problem someone said was unfixable.”*

I would say we were only able to leverage media success by backing it up with our brand promises — exceptional customer service from professional junk haulers in clean, shiny trucks. Ensuring those fundamental service requirements are met every time, anywhere across North America, has created brand loyalty.

What are the best ways to retain and reward talent in your franchise business?

At O2E Brands, the banner company for 1-800-GOT-JUNK?, WOW 1 DAY PAINTING, You Move Me, and Shack Shine, we believe it’s all about people. We want people who are passionate about what they do. Employee retention is about recognition and allowing people to dream big and empowering them to make things happen.

We have an open-office environment that enables interaction and fosters a spirit of collaboration. No one has private offices. We’ve also committed 25% of our profits to our people. This type of program gives people a sense of ownership and a tangible reward for their efforts. Last year, we were able to give our staff a profit-share of eight percent of their salary because everyone worked so hard to break revenue records.

What separates successful franchises from unsuccessful ones?

As I said before, you’re taking tested, proven systems and an awesome, engaging brand into the marketplace with huge support. At the end of the day, it’s down to our entrypreneurs to uphold our standards, do on-the-ground marketing, and apply their entrepreneurial spirit to be successful.

1-800-GOT-JUNK? Website
http://www.1800gotjunk.com/us_en

O2E Brands Website
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About Brian Scudamore

Brian Scudamore is the Founder and CEO of O2E Brands (**1-800-GOT-JUNK?, WOW 1 DAY PAINTING, You Move Me, and Shack Shine**). Brian started 1-800-GOT-JUNK? in Vancouver, Canada at the age of 18, and later went on to franchise it as a way to expand operations. Today, 1-800-GOT-JUNK? has 1,000 trucks on the road, throughout some 180 locations in Canada, the United States, and Australia.

In 2004, Brian was inducted into the Young Presidents' Organization (YPO) and served as a board member for the Young Entrepreneurs' Organization (YEO). In 2007, Brian was honored to have been named the International Franchise Association's Entrepreneur of the Year. Other accolades include Fortune Small Business' Best Bosses Award, Globe & Mail's Top 40 under 40, and a three-time winner of the "Best Company To Work For" award.

A strong believer in personal and professional development, Brian graduated from MIT's four-year Birthing of Giants program, and has subsequently completed several years of MIT's BOG's alumni program, Gathering of Titans. He is also a participant in a nine-year executive education program at Harvard University through YPO Presidents' University.

“Culture has to be lived, not just talked about.”

DONALD BURNS, *The Restaurant Coach™, founder & CEO of The Performance 7 Group, LLC*

Always hire for personality over skill, and make sure the people you hire can grow your culture and take care of the guests. Hospitality is a trait and a natural talent; you cannot teach someone who is not friendly and happy to be that way.

What should you keep in mind when branding your franchise? What makes for an effective “story”?

An effective story is one that connects with emotions. What is your “why”? People don’t buy what you do, they buy why you do it. So how do you connect with your “why”? By knowing your core values. What do you believe? What do you stand for? What do you want to be known for?

Which of these two restaurants would you rather visit?

Restaurant A
“We make great burritos and tacos. We use fresh ingredients and follow traditional family recipes.”

Restaurant B
“We believe that food is the fuel of life. We believe that your food should be free of pesticides and artificial hormones. We believe that local produce picked fresh makes the best toppings for handmade burritos and tacos. Slow-braised hormone-free meats make the best filling. We believe our guests are like family, and we believe family is everything. We also have amazing burritos & tacos.”

So which would you choose?

How can you create a good company culture for your franchise?

I am a believer that culture flows down, not up, and culture always starts with the founders. New franchises often get it wrong. They focus on systems and standardizing the product, which is a requirement, yet it should come second after creating culture.

Company culture is created by solid core values. Just like you need to know your core values to build a great brand, core values make setting up your culture a necessity. Human beings are social creatures. Ever since the first group of humans gathered around to protect each other and gather food, we have deep connections to others that are hard wired into our brains.

Culture needs to be built on a set of values that bond people together. For a culture to thrive, the owners and leaders need to articulate them and demonstrate them to the team every day! Culture has to be lived, not just talked about.

WHAT SHOULD YOU KNOW BEFORE STAFFING UP YOUR FRANCHISE BUSINESS?

Always hire for personality over skill, and make sure the people you hire can grow your culture and take care of the guests. Hospitality is a trait and a natural talent; you cannot teach someone who is not friendly and happy to be that way. A job application or resume tells you where a person worked, it does not tell you how they work, so ask behavioral based questions during interviews.

Make a commitment to reference checking. I recently helped a client interview a candidate for a General Manager position. They had a great resume but when we checked their social media profiles we got a totally different view of this person. They claimed they had been at a restaurant for over a year and received a lot of accolades for achievement, when the truth was they had been there five months and were trying to ride the accomplishments of the former GM.

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Donald Burns

The Restaurant Coach™ is the leading authority, author, speaker and international coach on how restaurant owners and operators go from just good to becoming exceptional. He helps independent operators create organizations that thrive and bring out their workers' natural strengths to reach their peak potential.

Donald is the founder & CEO of The Performance 7 Group, LLC, a behavioral based performance company, that works exclusively in the hospitality industry. Through workshops, seminars and a coaching business model, The Performance 7 Group has created results focused programs that lead the industry in business solutions for today's economy.

A 33-year veteran of the food service industry, Donald has owned, designed and created two original concept restaurants, and was recruited by celebrity chef Wolfgang Puck to help expand his catering company across the US. Now, Donald is a sought-after adviser in the areas of menu development, design & engineering, restaurant operations, culinary consulting, culture, peak performance and team dynamics.

Read Donald's Credibly articles at:
https://www.credibly.com/incredibly/donald-burns/

Legally Speaking...

First, it is important to recognize that the legal profession, like many professions, has become fragmented into specialties, and franchising is one area of law that lends itself to expertise and specialization.

> "Dealing inconsistently with a franchisee or treating franchisees differently without a legitimate or reasonable basis tends to undermine both the system's confidence in the franchisor and the franchisor's legitimacy..."

Fredric A. Cohen

Founding Partner of Cheng Cohen LLC

When it comes to choosing a franchise attorney, which qualifications or attributes are most important?

First, it is important to recognize that the legal profession, like many professions, has become fragmented into specialties, and franchising is one area of law that lends itself to expertise and specialization. The franchise legal community is currently populated by lawyers who deal with franchise matters from time to time or infrequently as part of a more general legal practice, on the one hand, and lawyers who practice franchise law exclusively, on the other. But the trend is toward a more focused practice. A lawyer who wants to be effective in the franchise area has some work to do. Specifically, mastery of:

(1) the complex regulatory scheme governing the offer and sale of franchises at both the state and federal levels
(2) the numerous (and varying) state laws regulating certain aspects of the franchise relationship
(3) common law principles impacting the relationship (that can vary from state to state)
(4) emerging trends that either squarely or only tangentially impact the franchise relationship

is absolutely essential to provide smart counsel to franchisors (and franchisees for that matter). This mastery is unlikely to be achieved or maintained on a part time basis. So when choosing a franchise lawyer, look for a firm that is both focused exclusively on franchising and that has the capacity to provide counsel as to the entire franchise relationship, from the establishment of a franchise program through termination and dispute resolution. This "full service" capability is especially important because, in franchising, transactional and litigation practices are synergistic.

Second, franchise law is highly nuanced.

> The correct approach in any given situation can turn on things that are so mundane they are often overlooked. A well-developed sensitivity to these often nuances comes only from experience.

Look for a lawyer who has occupied the franchise space for an extended period of time and therefore has had occasion repeatedly to experience the franchise relationship from soup to nuts. In short, choose an experienced lawyer.

Finally, and most importantly since the first two characteristics should be a given, find someone who practices law the "new-fashioned way." When I began practicing law many years ago, it was common for lawyers—and my mentors often told me—to keep a safe distance from clients and their problems. We need to remain objective, they said. Unfortunately, not much has changed in this regard over the past thirty years.

But I have come to understand that what a business person wants (and needs) is a lawyer who is willing and able to embrace his client, warts and all, and to become a true partner in the literal sense—someone who will accept the client's problems as his own. Only then, I have found, can the lawyer truly and fully bring to bear his expertise and experience, and become the most effective counselor and advocate for the client that he can be.

How can you know? By connecting on a human and personal level, and not simply professionally. After determining that the lawyer has the requisite expertise and experience, ask yourself this: Could you see this lawyer becoming a close friend with whom you would choose to spend time and actually enjoy it? If the answer is 'no,' keep looking.

From a legal standpoint, what are some major mistakes that franchise businesses need to avoid?

Inconsistency, insensitivity and short-sightedness, because they all undermine the system's integrity and can lead to wasteful, unnecessary litigation.

Dealing inconsistently with a franchisee or treating franchisees differently without a legitimate or reasonable basis tends to undermine both the system's confidence in the franchisor and the franchisor's legitimacy as a leader; and it could lead to serious legal trouble. Even inconsistent action or disparate treatment that is not unlawful is almost never smart or effective.

We're all human, however, and it is entirely understandable that a franchisor may be tempted to be less supportive of or responsive to a malcontent or, conversely, to prefer a favorite franchisee. But much like a parent, franchisors don't enjoy that luxury. And like a parent raising children, an even hand is critical in managing and growing a strong and stable franchise system.

Insensitivity to franchisee needs or wants often results in actions perceived by franchisees, rightly or wrongly, as being arbitrary. "The franchise agreement says I can" may be an accurate statement, but it doesn't mean it is the right answer in every situation. The franchise relationship, like any relationship, takes work. Ideally, franchisees will follow the franchisor's lead because they have bought into the program, not simply because they are contractually obligated to do so. Persuasion based on the merits is usually more effective than a "my way or the highway" approach.

Finally, there is almost nothing short-term in franchising. The franchise relationship typically lasts for ten, fifteen or even twenty years (and then is renewed). Brand building takes decades. It takes years to develop a replicable business model that works and then more years or decades to grow the system. In this context, short-term decision making seems entirely out of place. Sharp abrupt turns in strategy or direction can cause system-wide dissent and instability. Granting a franchise to the wrong prospect just to make a sale will invariably result in costly trouble down the road. Franchising requires a fixed vision, measured decision making and a steady hand.

What's the most important piece of advice you could give to someone starting a franchise?

Deliver value every single day. Seven years into the twenty-year franchise term your franchisee will wake up one day and wonder why he should continue paying you weekly royalties for the next thirteen years when he's already got from you everything he's likely to get from you. You do not want the integrity and viability of your franchise system to depend on your ability to enforce a post-termination covenant against competition. Make sure when your franchisee asks himself that question he is able to immediately answer with: because my franchisor delivers value to me each and every day.

ABOUT FREDERIC A. COHEN

Fredric A. Cohen is a seasoned business and commercial litigator and trial lawyer, and a Founding Partner of Cheng Cohen LLC. Ric spends most of his time keeping the world safe for franchising. For nearly thirty years, he has represented many of the nation's most prominent franchise, licensing and distribution companies in a wide variety of lawsuits from complex multi-forum class action litigation to standard enforcement actions and everything in between.

Ric has helped franchisors develop programs to protect and enforce their intellectual property rights like trademarks and trade secrets, and he regularly defends franchisors against fraud, breach of contract, good faith and fair dealing, tortious interference, registration and disclosure violations, and similar claims. Ric also works with franchisors to develop effective responses to state and federal regulatory inquiries and investigations, as well as strategies to defend state and federal enforcement actions.

Before forming Cheng Cohen LLC, Ric was a partner with DLA Piper US LLP and its predecessor firms for nearly his entire career. He was a member of DLA Piper's Litigation and Franchise & Distribution practice groups, co-chaired the firm's Franchise Litigation practice group, and served as the firm's hiring partner.

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Franchisors need to be choosy... long-term thinking is needed for a franchisor to *become successful.*

What are some major mistakes that franchise businesses need to avoid?

One of the mistakes I see franchisors make is awarding franchises to “average” candidates.

Average franchisees are just that: average. They bring in average revenues. They don’t really help the franchisor get on the map. These franchisees just kind of show up, make average money, and are satisfied with doing that. They generally don’t add new units. And they can be aggravating to deal with because they don’t want to take their businesses to the next level.

Also, when prospective franchisees contact average franchisees, the conversations they have with them tend to be rather vanilla and unexciting. Not exactly a recipe for new franchisee growth!

Franchisors need to be choosy; they shouldn’t settle. I realize it can be difficult to turn down a check (the upfront franchise fee) for $35,000, but long-term thinking is needed for a franchisor to become successful.

My definition of successful: An always-growing innovative franchisor with lots of above-average franchisees making really good money.

ABOUT JOEL LIBAVA

The Franchise King®, Joel Libava, provides straightforward information on how to find, choose, research, and buy a profitable franchise. He’s the author of “Become A Franchise Owner!” (Wiley Publishing) and just launched Franchise Business University, where would-be franchise owners can take a free online course. His award-winning franchise blog is a must-read for anyone contemplating franchise ownership.

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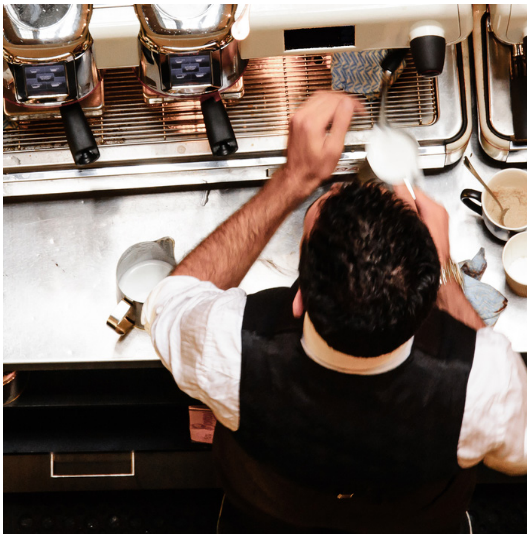
JOEL LIBAVA

Franchising advisor, educator, and author



The old saying in franchising is, "Every business can be franchised, but not every business should be franchised."

JOE TAGLIENTE

Partner and principal of The Lenrock Management Group, LP

How do you know if your business is franchisable?

The old saying in franchising is, "Every business can be franchised, but not every business should be franchised." Here are five fundamental things that need to be in place for a business to be successfully franchisable:

The Leadership

What is the management team like? Are the founders passionate, and obsessively focused? Do they operate the company very, very well? Are they smart and reasonable people to work with? The quality of the leadership team is critical.

The Product

How much do you like the product? If it's a food product, do you like eating it? If it's an automotive business, do you like having your car serviced there? Your franchisees have to be excited about the product. The best franchisees are the people who come in as customers of your business and say, "Oh my God, this is so good. And I can buy this business? I can own this company? Well, I'm absolutely going to be a franchisee."

The Opportunity

How big is the business opportunity? Can it be expanded significantly? Not every business can be expanded nationally, even if it can be expanded regionally. Case in point: There are a couple of restaurant concepts that I'm analyzing right now with my partners — farm-to-table restaurants that will be fast casual dining. And although they're wonderful concepts that could potentially be great regional chains, the purchasing and distribution of the supplies and food and produce is going to be a logistical challenge. A concept like that serves the public well and there's a niche for it in the market, but it might be hard to actually put the infrastructure in place to execute it.

The X-Factor

Does this business concept have a particular mojo that defines it and makes it competitively advantageous over any potential competitors? In other words, does it have some sort of "special sauce" that makes it so strong that even if a copycat comes along, they'll never catch up? If you find a company that has that strength — that mojo — it's a great franchisable concept.

PROFITABILITY

Here are your sales and here's your profitability. Now make a line-item deduction for royalty and advertising costs every month, and see what the profitability of the business is after that. If you're going to charge your franchisees a 6% monthly royalty, but every month they're only making 4% of the bottom line, that's a business model that's not going to work.

"If you're wondering if your business is franchisable, you need to start managing your business as if you were a franchisee."

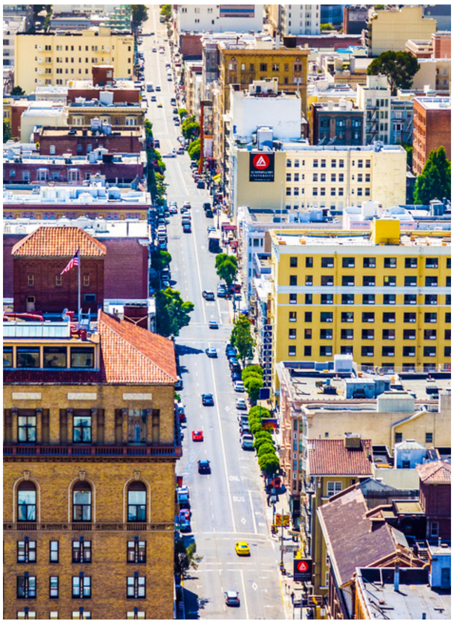
"Real estate is one of the most critical strategic decisions that you can make when you are building your business."

The Profitability

If you're wondering if your business is franchisable, you need to start managing your business as if you were a franchisee. First, take your current P&L and run it through a franchisee filter: Here are your sales and here's your profitability. Now make a line-item deduction for royalty and advertising costs every month, and see what the profitability of the business is after that. If you're going to charge your franchisees a 6% monthly royalty, but every month they're only making 4% of the bottom line, that's a business model that's not going to work. But if you're charging them 6% plus 1% for advertising and they're pulling in 10-15% to the bottom line, that franchise concept is going to explode.

How should a franchise business choose locations for its franchises? What makes for a good franchise location?

Real estate is one of the most critical strategic decisions that you can make when you are building your business. Whether you're a franchisee, or you're a franchisor and you're trying to make your brand ubiquitous, you cannot be cheap with the real estate. You have to spend the money to get the best locations, because if you don't get the best locations, you won't be where the business is.



I learned how to select sites from my dad, who is a Burger King franchisee, and he was very well respected for being great at picking locations.

So many chains these days are trying to break through, but they're trying to save money, so they end up building in a mall that might be past it's prime, or they're building on one of the off-streets in a popular town, instead of on a street that's more centrally located. They're hoping that crowds will find them — and it rarely works.

Let's say you have a choice between two sites. With site A, you only get 1,400 square feet, but it's a fantastic location right next to a McDonald's that does $3 million in revenue and a Chipotle that does $2.5 million. With site B, you can get 2,500 square feet and it's cheaper, but there's not the same audience. You're better off going with site A. Maybe the space is tighter, and you have to be creative in the way that you develop it, but the crowds will be there and you can build a great business.

There's all sorts of empirical data you can analyze to determine whether or not a location is good to develop for a franchise — demographic studies, traffic, prognostications of future development, and so on. But in the end, the best thing you can do is to find other businesses nearby that are competitors and see how they're doing. If they're doing really, really well, you build right next door to them.
I learned how to select sites from my dad, who is a Burger King franchisee, and he was very well respected for being great at picking locations, His formula was very simple: Here's a McDonald's that's doing $3 million in sales, and we're going to build right next to them and do 80% of whatever their sales are, and have a fabulously profitable restaurant. And like clockwork, it worked every single time. So, it helps to keep good company when trying to figure out where to build the next location for your business.

When a new franchise business is looking for its first franchisees, what qualifications should they be looking for?

If you're introducing your franchise program and trying to cultivate your first couple of franchisees, you want those people to be established franchise operators who have a proven track record and a really strong balance sheet. They can carry your concept on their back as they're building their own business.

For instance, Blaze Pizza came out in the market in 2011, and they have this flash-fire pizza concept which is fantastic. They divided the country up into territories, and proactively cultivated franchisees who were established and operating other concepts. They didn't do that exclusively, but they certainly did that for the first few, because they wanted to have franchise operators with a track record, who would have great success operating their concept.

Later on down the road, a franchise business can cultivate other franchisees who are small business people and entrepreneurs, who have accumulated some assets or have developed a relationship with a financial partner, and they've identified a particular region

Franchisors can also find potential franchisees at the various franchising trade shows and expos across the country.

of the country where your brand doesn't have a presence yet: "I'd love to be the strategic developer of Ben's Tacos in the Cincinnati area. Ben's Tacos is successful all around the United States but they're not in Cincinnati yet, and I want to be the guy."

Maybe they don't have any experience operating a restaurant, per se, but they're smart, they have some experience operating businesses, and they can learn the system and how to operate the franchise. Established brands like Dunkin Donuts or Arby's or Burger King have enough brand equity and bandwidth to take on franchisees of that quality, who maybe don't have the franchise operator spurs yet, but can be developed into great operators.

What are some good resources for franchise businesses to find new franchisees?

These days, what's really popular with established franchise brands is to help military veterans become franchisees, which is wonderful because they have the ability to carry out a mission plan, and they know what hard work is, and what it means to be dedicated and committed. I can't think of a better group of people who can become franchisees.

Franchisors can also find potential franchisees at the various franchising trade shows and expos across the country. For a small fee, you can walk around and see the booths for all these various franchise concepts, speak to some of the representatives, chat them up a little bit and find out what they're about. It's a great opportunity for a prospective franchisee to vet multiple concepts, but it's also a great opportunity for a franchisor to meet lots of people.

There's one franchise show in particular called the Multi-Unit Foodservice Operators Conference, and the folks who attend that are people who are operating multiple companies: "We own 20 Hardees, and we have 15 Pizza Huts and 10 Hampton Inns, and now we're looking for another concept to take on." That's a great show to meet operators who are already in the game of operating franchises successfully and are looking for new franchises to invest in.

What's the difference between a franchise agreement and a franchise disclosure document?

A franchise disclosure document states all of the legal specifics that are associated with a franchise license. Some of those are on a federal level and some are on a state level. Each individual state has their own regulations with regard to franchises, and some of them are more onerous then others. That's why when you see a company start franchising, they will say, "We're only franchising in these states right now, but we'll be franchising in these other states later on." The reason for that is because it's taking them time to get through the process of all the franchise legislation.

The franchise agreement is the actual contract that gets executed between the franchisor and franchisee, which states what the royalties will be, who the franchisee will be, and the specifics that are associated with the operating license that allows a business person to operate a particular franchise.

How has the decline in mall traffic affected restaurant franchises?

Over the last 20 years, there has been a change in the mentality of real estate developers with regards to restaurants and franchises as tenants in their various developments, particularly malls. It used to be that the landlord would focus on having Sears or Macy's or Nordstrom as their anchor tenant in order to carry the mall, and then things like restaurants and so forth were just sort of nice accoutrements and conveniences for the shoppers while they're there.

"Now that we have the Internet, and people are shopping online all the time, they don't feel the absolute need to get in the car and go through the brain-damage of walking through a mall..."

Now that we have the Internet, and people are shopping online all the time and they don't feel the absolute need to get in the car and go through the brain-damage of walking through a mall, the foot traffic that goes through malls and retail centers has diminished. As a result, the importance of good restaurants and those types of quality tenants in retail centers and malls has increased significantly, since those are now the draws that bring crowds to those retail centers — because you can't go out to dinner online. I mean, you can order the food online, but then you've got to get in the car and pick it up.

So now it has become more important to have restaurants and franchises in these retail centers to increase the foot traffic so that it creates a benefit to the Macy's and the Nordstroms and the big retailers of the world. Landlords have become much more focused on restaurant tenants, and that has created huge opportunities for restaurant developers, franchisees, and so forth to get really great locations and concessions from landlords that they wouldn't have gotten 10 or 20 years ago.

For more franchising insights from Joe Tagliente, read his articles on InCredibly:

- How Technology is Making Restaurant Franchises Faster, Smarter and More Efficient
- How to Recruit, Hire, Motivate Retail, and Reward Your Talent
- What Really Makes a Franchise Successful?

ABOUT JOE TAGLIENTE

Joe Tagliente is a partner and principal of The Lenrock Management Group, LP, a real estate investment and franchise advisory and incubation company, and the Managing Partner of Tage Associated Limited Partners; a private real estate investment trust.

Prior to Lenrock, Joe was the president and CEO of the Tage Corporation, one of New England's leading hospitality companies. Under his leadership, Tage grew from a small fast food restaurant operator founded by Joe's father (Joseph P. Tagliente) into a multi-faceted hospitality development and management corporation, with operations in fast food, full service restaurants, hotels, and hospitality construction and development.

In 1989, Mr. Tagliente conceived, designed, and developed the first of his company's hotels: The Tage Inn in Milford, Massachusetts, co-founding the venture with Joe Sr. The Tage Inn was an immediate success and grew to a portfolio of four properties throughout New England with over 500 rooms.

Mr. Tagliente is a graduate of Cornell University and holds an MBA from the Olin School of Business at Babson College. Joe is a senior advisor to Spots, a technology company that uses a smartphone based platform for crowd and traffic monitoring and notification, and NY Restaurant Concepts, Inc., operators of the Fat Sal's Deli chain. He also holds a seat on the Board of Advisors to QuakerMaid Meats, Inc.

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MARK SIEBERT, *CEO of the iFranchise Group, Inc.*

Franchising: Start to Finish Guidelines

"Of course, it's not all about restaurants or food service. Franchising touches nearly all industry sectors, including Consumer Service and Business Service concepts of all types. And the franchises that address hot-demand market needs are most likely to grow and succeed."

What kinds of franchises are exploding in the 21st century?

More than fast food, quick service restaurant franchises are growing in the 21st century. Quick service restaurants blend the speed of fast food with service styles and menu options more in line with full service restaurants. Today's growing quick service concepts are more focused on quality ingredients, with special attention placed on sourcing (whether locally grown or imported from abroad), and on customizable menu options (think assembly line pizza toppings bars, create-your-own salads and bowls, and more).

Of course, it's not all about restaurants or food service. Franchising touches nearly all industry sectors, including Consumer Service and Business Service concepts of all types. And the franchises that address hot-demand market needs are most likely to grow and succeed.

Examples of this include fitness concepts that address the obesity epidemic in the U.S. Or, senior care concepts that cater to the aging population, especially as the Baby Boomer generation reaches retirement. Or, children-focused concepts that provide supplements to traditional educational channels, and options for working families beyond traditional school hours. Or, "green" concepts that focus on caring for the environment, conservation, and energy savings. These types of franchise concepts have a proven presence in franchising, are growing rapidly, and should continue to grow in the years ahead.

And as further validation of the strength of franchising as a business expansion method, franchising is finding its place in newer, emerging service and retail trends — like crime scene clean-up, health care (including medical marijuana), finance, and logistics.

How much should a franchisor expect to spend on turning a business into a franchise, from start to finish?

While franchising is often considered a "low cost" means of expansion compared to opening additional corporate-owned units, it is not a "no cost" means of expansion.

The most important factor to take into account when estimating the costs of franchising is the aggressiveness of the desired expansion program. With modest expansion goals, there are two basic costs: legal documentation and quality control tools.

An inexpensive attorney specializing in franchising might develop your basic legal documents (franchise agreement and franchise disclosure document) and other related work (trademark protection, license agreements, etc.), for under $20,000. Depending on the states targeted in your expansion plans, you may also need to comply with state registration laws that could cost several thousand dollars. You'll also incur costs for the creation of the new franchisor entity and an opening audit of that company's balance sheet.

"While franchising is often considered a "low cost" means of expansion compared to opening additional corporate-owned units, it is not a "no cost" means of expansion."

Every franchise system needs an operations manual to control quality within the system. While some entrepreneurs choose to develop their own operations manuals internally, this path carries certain risks. The operations manual, if properly crafted, not only controls quality, but can also limit the franchisor's liability relative to the acts of the franchisee and the franchisee's employees. Typical costs of having an outside firm develop an effective and comprehensive manual would likely run about $20,000 to $25,000, depending on the complexity of the business. So to sell a few franchises locally, the basic documents needed to get started could be developed for about $50,000.

But if you're seeking to franchise aggressively, these costs can increase significantly.
For example, legal costs for a more aggressive franchise program targeting more states can exceed $35,000. The costs of hiring a consultant to assist in the development of strategic business plans that provide the framework for franchise legal documents could add to those costs as well. Adding training manuals and training videos to the operations manual development process can double the costs of your quality control efforts. Finally, marketing costs to promote the franchise program can vary greatly. But key elements include website development, brochure development and printing, and finally marketing plan development and necessary expenditures to advertise across a variety of media categories (which can range from tens of thousands of dollars to even hundreds of thousands, depending on your aggressiveness).

To succeed in franchise marketing to prospective franchisees, you need to start with a powerful brand story that is uniquely compelling on both an emotional and logical level.

Lastly, there's the investment in human resources. Many new franchise companies leverage their existing staff for sales and support functions. This works in most growth scenarios, but the more aggressive the growth scenario, the sooner incremental staff must be brought on to fill key roles in franchise sales, training, and field support.

So while a conservative growth program targeting a handful of initial franchisees in the first year can be accomplished with a relatively small investment, aggressive growth comes at a more substantial cost — often in the six figure range. While there is a significant cost associated with franchising, it's important to remember that the costs of creating a franchise company, even in aggressive growth scenarios, is often less than the cost of starting just one more company operation.

What should you keep in mind when branding your franchise? What makes for an effective "story"?

To succeed in franchise marketing to prospective franchisees, you need to start with a powerful brand story that is uniquely compelling on both an emotional and logical level. Every franchise company will claim and tout to have the best concept, or the best support, but to effectively market a franchise brand, it must be differentiated from the competition.

There are dozens of ways for a company to differentiate itself. The easiest is often found at the consumer level, by achieving concept recognition in a particular industry or niche. Franchise companies can also differentiate themselves in the franchise sales process based on the size of the initial investment (keeping in mind that cheaper doesn't always mean better), target market, services provided to franchisees, and even franchise structure.

In the end, a franchisor should strive to be the best at something. Biggest selection, lowest prices, fastest service, or hottest trend are just some ways to achieve this status — and a concept can even aim to be the leader through a combination of these factors.

Bottom line: If you don't know how you want to be positioned in the marketplace, your consumers or prospective franchisees may end up being educated on your position by your competitors.

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Mark Siebert

is the CEO of the iFranchise Group, a franchise consulting organization since 1998. He is an expert in evaluating company franchisability, structuring franchise offerings, and developing franchise programs domestically and internationally. Siebert has personally assisted more than 30 Fortune 2000 companies and more than 500 startup franchisors. His book ***Franchise Your Business: The Guide to Employing the Greatest Growth Strategy Ever*** (Entrepreneur Press 2016) is available through all major book and e-book retailers.

MISTY YOUNG
Restaurant Startup & Turnaround Expert, President/CEO of Squeeze In Holdings, Inc.

Setting up a solid system

One of the biggest lessons we learned was to be sure operations are running as tightly and effortlessly as they can. Franchising is all about systems, and you need a solid understanding of how each and every process works to maximize profitability and efficiency.

"The most important thing about culture is that it starts at the top. You have to actively engage in activities and actions that demonstrate your values and your commitment to your company."

"If you aren't authentic in the values you say you hold, it will be apparent and it will poison your culture."

What were some of the lessons you learned when you first tried to franchise your business?

One of the biggest lessons we learned was to be sure your current operations are running as tightly and effortlessly as they can. Franchising is all about systems, and you'll want a solid understanding of how each and every process works to maximize profitability and efficiency.

Another big lesson we learned was that it takes time and money to franchise your business. When we started the process mid-year we thought we'd sell one by the end of that year. Two years of countless hours and legal back and forth — not to mention tens of thousands of dollars later — we were finally ready to "go live" and start actually selling franchises. So make sure you're in it for the right reasons and playing the long game.

How do you create a good company culture for your franchise?

The most important thing about culture is that it starts at the top. You have to actively engage in activities and actions that demonstrate your values and your commitment to your company. If you aren't authentic in the values you say you hold, it will be apparent and it will poison your culture. It's easy to say you value individual creativity, but it can be a lot harder to demonstrate that when someone's creativity doesn't fit your definition. Culture is about clearly defining your values, living those values, and sticking to those values even when it isn't the best thing for your bottom line.

ABOUT MISTY YOUNG

After over two decades in politics, public relations, and marketing, Misty Young risked everything to buy Squeeze In, a tiny, struggling restaurant nestled in the historic downtown of Truckee, California. The quaint breakfast and lunch place had awesome potential and excellent food, but was in need of loving care, upgrades, and strategic systems. Leaping in with reckless abandon, Misty made it her mission to understand the business from top to bottom. She served guests, cooked omelettes, washed dishes, cleaned bathrooms, mopped floors, prepared payroll and tax returns, and designed and developed the processes, systems, and efficiencies to lead the company's growth from a single location to five flourishing family-owned franchise locations today.

Understanding the critical importance of training, Misty led the development of a comprehensive multi-media training program designed to ensure that every single guest was served from the perspective of the company owner. The operations platform she developed is the basis for the company's franchises now being offered nationally.

Misty's award-winning book, From Rags to Restaurants: The Secret Recipe has launched Misty's personal brand, The Restaurant Lady, and her marketing consulting firm, YoungSocial, as a resource to independent restaurant owners. Her efforts in restaurant operations, social media, and franchising have gained the attention of the New York Times, FOXBusiness.com, the Reno Gazette-Journal, and many others.
Misty has been named a "Distinguished Woman of Nevada," and West Coast Restaurateur of the Year by Independent Restaurateur Magazine.

Misty Young's Website:
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PAUL BARRON
CEO/founder of Foodable Network, founder of FastCasual.com and QSRWeb.com, author of The Chipotle Effect

“Franchising is one of the most difficult things you can do”

Chefs will make the biggest impact in the next five years, creating more neighborhood dining spots due to the massive shift in labor issues. They will create small, regional fast casual concepts, and will most likely not turn to franchising.

What does a brand new franchise need to have in order to break out from the pack and become successful?

Franchising is one of the most difficult things you can do as a restaurant operator — after all, you are giving up the keys to your brand to another person with a different set of morals, goals and vision. Becoming a great franchise depends on one thing: your ability to select the right franchisees who match your brand vision. If there is the slightest disconnect in their vision and yours, it's a waste of time and money for both people involved. All too often, brands take the first money in rather than try to develop the perfect match. Growth is always determined by the number of quality franchisees you have, and the future of the brand depends on those franchisees' ability to translate your original vision.

What franchise brands have impressed you, and what did they do to break out from the pack and become successful?

Firehouse Subs is built on the idea of the American Dream. The founders live it every day and connect to a very grassroots franchise system. Additionally, they are connected to the community and guests because of their unique positioning with firemen and the first responder community, and have expanded their Firehouse Subs Public Safety Foundation — a nonprofit dedicated to improving the life-saving capabilities and lives of local heroes — to a place that will eventually become the face of the brand.

What are some up-and-coming trends that will have a major impact on the fast casual market? How do you see that space evolving?

Chefs will make the biggest impact in the next five years, creating more neighborhood dining spots due to the massive shift in labor issues. They will create small, regional fast casual concepts, and will most likely not turn to franchising.

Additionally, brands will move away from retail fronts and integrate commissary-like operations for delivery only — but this will require some amazing logistics companies that are not quite ready. Still, it's coming.

Besides food and fast casual, what other kinds of franchises have the potential to explode in the 21st century?

I think most on-demand type services will become a clear winner, providing that the logistics technology starts to scale into franchise-type services. Uber has set the tone for this and could launch an entire cottage industry of on-demand services and products. Retail will slowly slip away, so I see a decline in brick-and-mortar franchises, and more expansion into virtual and online services. Autonomous vehicle fleets could see a spike in five to ten years, with local outlets using artificial intelligence (AI) technology to invade personal transportation and delivery.

ABOUT PAUL BARRON

Foodable Network CEO/Founder Paul Barron, who also founded FastCasual.com, QSRWeb.com, and the Restaurant Social Media Index (RSMI), authored the award-winning book The Chipotle Effect, and produced the documentary Fast Casual Nation: Changing the Way America Eats. He has more than 25 years of experience in the restaurant and digital space, and has been named a Top 50 Forbes influencer for his consumer-data-driven work.

Foodable Network Website:
www.foodabletv.com

Twitter:
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@Foodable
@chipotleeffect
@rsmindex


blink
everybody

Getting attention to your brand

"The first thing you need is a differentiated proposition. In a crowded market, you'd better have an idea that feels unique to what's already out there, if you're not the first mover."

TODD MAGAZINE, President of Blink Fitness

How can a new franchise brand get attention in a crowded industry?

The first thing you need is a differentiated proposition. In a crowded market, you'd better have an idea that feels unique to what's already out there, if you're not the first mover.

You also have to demonstrate the success of the model before you go to franchise. By the time Blink Fitness began selling franchises, we already had 35-40 open corporate locations that we owned, which gave us credibility in the marketplace. It helps to give people some sense of the reality of what you're ultimately promising.

So what was Blink Fitness's "differentiated proposition"? The fitness franchise market is about as crowded as it gets.

At a high level, the difference between us and everybody else is the quality of the experience. The conventional wisdom of value is that you get what you pay for. If you're paying $10 or $15,

you're going to get a $10 or $15 experience — and there are people who are fine with that. They expect the equipment to be dirty and they expect the people in the gym to not be very nice, because they're paying a lower amount of money.

Our difference was to bring more of a luxury experience and higher expectation to the value segment, staying in that low price segment but making the experience dramatically different. In other words, giving guests more than what they paid for.

Then at a strategic level, the way we position that to prospective franchisees and finally the consumer is this idea of putting "mood above muscle," which is really about the emotional and experiential benefits of exercise, as opposed to just physical fitness. Everybody talks about six-pack abs and losing weight and big muscles. That's the convention in the industry. We're talking more about how exercise makes you feel.

What are some up-and-coming trends that could have a major impact on the fitness franchise industry?

I think the broader awareness of health and wellness in the country is one macro trend that's in our favor. More and more people are trying to become healthy, and the digital explosion has enabled people to have more information at their fingertips on how to eat healthier and live a healthier lifestyle.

At the same time, the cost of health care is coming to a point where it's choking the

Our difference was to bring more of a luxury experience and higher expectation to the value segment, staying in that low price segment but making the experience dramatically different. *In other words, giving guests more than what they paid for.*

country — that's why there's so much political debate right now about insurance and who should be responsible for paying for what. I think that the conversation is slowly starting to shift from treatment to prevention, and part of that conversation on prevention is going to clearly include exercise.

On a more micro level, the fitness industry has been growing, and we've been riding on the coattails of that growth. Fifteen or 20 years ago, there really weren't many gyms in the market. Now there's a gym on every block. Whether it's a mom-and-pop or a boutique gym or a full-service gym, they're everywhere.

The last change that's in our favor is the explosion of value fitness. Ten years ago, $10 or $15 a month for a gym membership was not even in the equation. Most of the gyms that existed in the marketplace were $30, $40, $50 a month or higher. Today you can join a gym like ours for $15 a month, and that didn't exist historically. It's a huge change.

How does Blink Fitness intend to support its franchisees to keep them successful?

Number one is our operations manual, which is a critical part of the franchising business; it's the playbook on what the franchisee needs to do. Every franchise has an operations manual, but ours is incredibly well-balanced and very rich because of our history of experience in the fitness space.

Number two, we are offering a level of training that's well above our competitors. The way that training is articulated in the franchise world is through hours. Blink Fitness offers 150 hours of training, both in the gym and in our training center. Most of our competitors in the market are only offering 40-60 hours, so we're by far the most significant in terms of the investment that we're putting into training our franchisees.

Anybody can open a franchise. But our difference is about experience, so we've got to train our franchisees how to deliver it, and that's why our training hours are best in class.

What's the most important piece of advice you could give to someone who's starting a new franchise business?

Realize that getting the first franchisee is going to be the hardest. It took us about six months to get our first franchisee, which was a lot longer than we expected, but as I look back it's not all that surprising. Nobody wants to be first in the pool.

"Every franchise has an operations manual, but ours is incredibly well-balanced and rich because of our history and experience in the fitness space."

Even though you might have a great business, potential franchisees want to hear it from the people who are already operating and working with you, to see if you are, indeed, a good partner to them. But when you're a new franchisor, you don't have that luxury. There's nobody for them talk to.

So, getting the first one or two franchises sold and open is really critical, because you need them to be advocates to future franchisees and franchise candidates.

ABOUT TODD MAGAZINE

Todd Magazine joined the Equinox family in 2012 to manage several of the brand's innovative businesses including Equinox, Soul Cycle, Pure Yoga, and Blink Fitness, where he currently serves as President. With over 20 years of experience in both small and large companies, Todd combines his big-picture approach with a passion for rolling up his sleeves and digging into critical details.

Prior to Equinox, Todd served as President of the North America Consumer Healthcare division at Pfizer, the world's largest pharmaceutical company. Prior to Pfizer, Todd spent nine years at the iconic PepsiCo where he held a variety of top executive positions, including President of Gatorade and President of Quaker Foods. He spent a similar amount of time at Procter & Gamble working on well-known brands such as Max Factor, Cover Girl, Sunny Delight, Crisco and Jif.

After receiving his Bachelor of Arts degree in English Literature from the University of Michigan, Todd went on to earn an MBA in Marketing and Finance from Northwestern's Kellogg Graduate School of Management.

As a competitive runner, recovering golf addict and aspiring tennis player, Todd brings a hearty passion for fitness and athletics to his role as President of Blink. He also makes it a priority to work out with his Blink personal trainer for an hour, twice a week.

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Success Breeds Success.

NICK-ANTHONY ZAMUCEN, *President & CEO of Bio-One Inc.*

When did you realize that Bio-One was a franchisable concept?

I had a run in with the CEO of a very well known ice cream franchise. We started talking about franchising, how it worked, and the benefits for both parties, and I moved forward.

What's the key to effectively marketing a franchise?

You need to lean on your differences. There are so many similar concepts, almost all chasing the same dollar, so you need to show how you're different. People remember unique, they tend to forget common.

How do you support your franchisees?

We do massive outreach programs with law enforcement nationwide. These are people who refer our franchises, and we need them to know who we are. We just spent $85K on the International Association of Chiefs of Police annual conference to not only be the lead sponsor, but also have our "2016 Bio-One Babe" winner present the awards.

What qualifications and attributes are most important when evaluating and selecting franchisees?

Hunger, Drive and the "No matter what, I'm going to be successful" attitude. We don't look for a certain resume, we look for a specific personality type. We've never had a franchise fail yet with this model.

What's the most important piece of advice you could give to someone starting a franchise of their own?

You have to be all in. No part-timers. Part-time effort will yield part time results. You have to jump in the deep end and have full confidence that you're doing so with the right company.

ABOUT NICK-ANTHONY ZAMUCEN

Nick-Anthony Zamucen is the President & CEO of Bio-One Inc., the only successful franchised crime and trauma scene cleaning company. Nick is also a published author, business strategist, and an award winning serial entrepreneur who has had tremendous success in various business ventures. Nick-Anthony has changed the game when it comes to the crime & trauma scene cleaning industry. He has taught and demonstrated proper techniques and created realistic murder scene setups for several television and movie production shoots in San Francisco, Los Angeles, New York, and Las Vegas.

One of Nick-Anthony's greatest strengths is assisting other people's success through his own experience. A core belief of Nick-Anthony's is "Success breeds success." For this reason, he has assembled an elite "success group" based around crime and trauma scene cleanup. As a result, his franchised company Bio-One Inc. dominates in 36 different states and continues to grow at an exceptional rate. He plans to launch Bio-One Inc., internationally very soon.

Company Website:
http://www.biooneinc.com/

Company Twitter:
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Franchising: a long but rewarding process

Once the state approves you as a franchisor, you can start legally selling franchises in the markets that you registered with. That process took us 11 months from start to finish.

SOLOMON CHOI
Founder and CEO of 16 Handles

What were the first steps you took when you decided to franchise your business?

I worked with a franchise consulting company who introduced me to a well-known franchise attorney in the New York area. We created an operations manual and we worked with the attorney to come up with a Franchise Disclosure Document, which is the legal franchise document that you register with the state.

Once the state approves you as a franchisor, you can start legally selling franchises in the markets that you registered with. That process took us 11 months from start to finish. The reason it took so long was that in 2009 — which is when we started the franchise process — the Franchise Board of New York State consisted of only three people reviewing and renewing all the franchises in New York.

Just to give you an idea, I think our Franchise Disclosure Document was like 238 pages. So imagine that multiplied by all the franchises that were applying. If you're new, you're at the bottom of the list because McDonald's and everybody else gets priority.

How do franchisors decide who to sell franchises to? What should the vetting process look like?

First and foremost, a potential franchisee should be financially qualified. Then, depending on whether your franchise is a retail- or service-based franchise, you will want to look for certain qualities in a potential franchisee.

"At 16 Handles, we look for hands-on operators. As a 7-day/week, 12-hour/day business, our retail operations rely heavily on team members."

This means that a qualified franchisee should have a proven track record in successfully managing employees as well as a strong grasp of customer service.

What's the most important piece of advice you would give to someone starting a franchise?

You need to have a war chest. I spent half a million dollars to get my first door open, and another $250,000 to start franchising. There are a lot of legal fees involved, and the costs of being registered, and you have to invest in the proper infrastructure to handle the growth. I suggest padding your startup costs with an additional 25% over the original budget, at minimum. This leaves room for longer build-out costs, higher professional fees, delays, and other unforeseen expenses.

A lot of startup franchises think, "If I charge a $40,000 franchise fee and I have 10 people who want to open franchises, I can instantly make $400,000." It doesn't work that way. Who is your operations person? Who is your marketing person? Do you have a system in place to help replicate your success in other locations without you physically being there? Unless you're ready to do that, you won't succeed as a franchise business.

What other major mistakes do franchise businesses need to avoid?

One major mistake is to stop hiring when you have filled your employee roster. Too often I've seen franchisees scramble when they lose an employee — whether it's a seasonal worker, a student, or a terminated employee — because they don't have backup staff. This hurts the guest experience as well as the other employees who expect a knowledgeable coworker to help them on a shift. As a result, other team members have to pick up the slack, which often leads to shortcuts and going against standard operating procedures.

ABOUT SOLOMON CHOI

Solomon Choi is the founder and CEO of 16 Handles, New York's leading frozen dessert brand with over 40 locations in the East Coast and internationally in the Middle East. He moved to NY in 2008 from California and brings 15 years of hospitality and food-service management experience.

Solomon has been featured on MSN, CNBC, Bloomberg News, ABC News, Fox Business, The Wall Street Journal and The New York Times, among many others. He is a graduate of the Marshall School of Business at USC with a degree in Marketing.

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Mary Ellen Sheets, *Founder of Two Men and a Truck*

The Family Business

How did you know that TWO MEN AND A TRUCK® was a franchisable concept? What were the key elements that needed to be in place?

I really had no intention of franchising. I was happily just running my little moving company. Then I sat on a panel with a woman who had franchised a pet-sitting concept and she introduced me to the idea. I figured if she could franchise her service, so could I. People certainly needed moving services!

> We focus on transparency so franchises can see one another's metrics. This allows a struggling franchise to see what more profitable operation is doing that may account for their success.

What was your initial strategy for expanding the franchise?

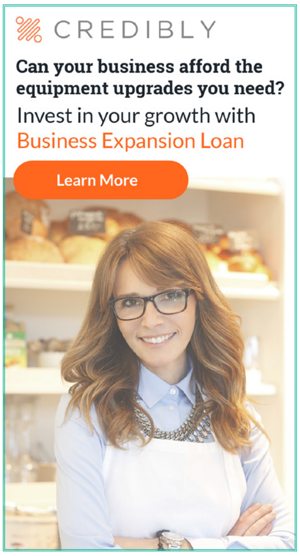
In the early days the strategy was not well defined. It was simply trusting that the concept was of interest to others, and people would see the need in areas outside of Lansing, Michigan.

The first franchisee was my daughter, Melanie. She happened to live in Atlanta so our first franchise was there. After that, franchises were primarily launched throughout Michigan — my son Brig started a franchise in northern Michigan and my other son, Jon, started a franchise in Grand Rapids, Michigan.
From there, people who lived in Michigan learned of the opportunity and were looking to relocate, and started spreading the system out to other states. Additionally, we began to have movers looking to grow their careers who further spread the franchising model, both within Michigan and across the country.

What were the lessons you learned during the early days of the franchising process?

During the early days of the franchising process we learned that it was like a family. Everyone cared deeply about one another's success, but as the franchisor we had to work hard to support the franchises in profitability while ensuring corporate revenue was there to support the model.

We learned that awarding franchises was a full-time job and that's when Brig sold his franchise and came to work full-time at our home office to grow the footprint.



How do you support TWO MEN AND A TRUCK® franchisees to keep them successful?

With the expansive growth TWO MEN AND A TRUCK® has experienced in the last three years, we have added many subject matter experts at Home Office to support the franchises. We have developed a unique support model in which franchises have teams at the corporate office dedicated to support marketing, accounting, customer care, business operations, and training at a local level.

We focus on transparency so franchises can see one another's metrics, allowing a franchise that may be struggling to see what a more successful franchise is doing that may account for their success.

How do you retain and reward your talent?

There are so many ways to reward and retain talent here at TWO MEN AND A TRUCK®. Our core purpose is to move people forward and this goes for franchise team members, too. We are proud that 75% of franchise managers started in frontline positions at their local franchise and moved into management. Our team members tell us they come for the job but stay for the career.

We offer competitive salary and benefits but the culture is why our loyal folks stay around. Moving is hard work but the joy our frontline staff get from working with customers and helping them through a stressful time in life makes it a rewarding and fulfilling career.

WHAT'S THE KEY TO EFFECTIVELY MARKETING A FRANCHISE?

Marketing has changed so much in the past 30 years, since we began. We've come a long way from my drawing of our logo and an advertisement in the local paper! Today marketing is more strategic than ever and takes a multi-channel approach that weaves grassroots marketing, online advertising, social media, and traditional advertising together to build a strong marketing plan. I still say the best marketing is movers who care and make customers happy.

> TWO MEN AND A TRUCK® is, at heart, a family business.

TWO MEN AND A TRUCK® is, at heart, a family business. What advice would you give to other entrepreneurs who are planning to launch a franchise with family members?

Launching a franchised company with family has got to be one of the most difficult yet rewarding ventures a family can take on. In addition to my own family, I've seen many families start TWO MEN AND A TRUCK® franchises and the variety is wide: Husband and wife, mother and daughter, father and sons, brothers...you name it, we've got it. And it seems that when a family has a strong foundation of trust and a strong business plan they've agreed upon, success is highly likely. When you are a team, fighting for the same purpose — in this case to grow a business and build a legacy — it makes it easier to get past the little disagreements.

"When I look back, I can't believe this all happened... I am in shock and so grateful. I definitely think this is the American dream. We live in a wonderful country."

"Today marketing is more strategic than ever and takes a multi-channel approach that weaves grassroots marketing, online advertising, social media, and traditional advertising together to build a strong marketing plan."

ABOUT MARY ELLEN SHEETS

TWO MEN AND A TRUCK® started in the early 1980s, when brothers Brig Sorber and Jon Sorber started moving people in the Lansing area using an old pickup truck. They had their mom, Mary Ellen Sheets, develop a logo to put in a weekly community newspaper. That stick-men logo still rests on every truck, sign, and advertisement.

After the brothers left for college, Sheets continued to field calls for moving services while she also worked a full-time data processing job with the State of Michigan. In 1985, she decided to make things official by purchasing a 14-foot truck for $350 and hiring a pair of movers.

The business grew steadily and Sheets eventually quit her state government job (foregoing her retirement) to put 100 percent into her thriving moving business. She awarded the first franchise to her daughter, Melanie Bergeron, a year later.

By 1989, Sheets had developed the business into the first and only local moving franchise in the country. Since then, Mary Ellen Sheets has grown her sons' small moving business into an international corporation with more than 1,900 trucks and 300 locations worldwide. Last year, TWO MEN AND A TRUCK®/INTERNATIONAL, Inc.'s annual revenue was more than $300 million.

Sheets considers herself fortunate to have all three children actively involved in running the company. Brig Sorber is currently CEO. Melanie Bergeron acts as chair of the board of directors. Jon Sorber is executive vice president.

"When I look back, I can't believe this all happened," she says. "I am in shock and so grateful. I definitely think this is the American dream. We live in a wonderful country."

Company Website:
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