

Mixing Business with Pleasure

In June I made a trip to the Saginaw Valley area to attend my high school class reunion (the big one). On Saturday evening I sat at a dinner table with several classmates including one who I hadn't had much contact with since we graduated.

After dinner this guy tells me that he had saved enough money to retire on but he now wanted to start a business. His oldest son was living out of state and wanted to move back to Michigan so the two of them had discussed buying and operating a franchise business but not a restaurant. The son would be the active business manager and the father would be more like the silent investor.

Throughout high school I remembered that this guy was known as a joker so my response to his idea was "I hope you're not serious! That sounds like a horrible idea. Why don't you keep your money in the bank?" Before dinner each of the classmates and their spouses had briefly explained what they had been doing since retirement and I had mentioned my Score activity so I figured this guy was just pulling my leg.

As the discussion continued I concluded that he was serious. I would have suggested that he visit his local Score Chapter for help but there is no Saginaw Valley area chapter so now my options were limited. I then suggested that we continue this franchise business discussion sometime after the informal class gathering for breakfast the next morning.

On Sunday afternoon we developed a three phased plan to answer his most important question "Should I buy a franchise?" The first phase included a self-evaluation (father & son) and answering the following questions:

Do you have what it takes?

- Do you have strong motivation and drive to achieve success?
- Do you have confidence and enthusiasm for the product or service you will deliver?
- Are you able to motivate and train employees?
- Do you have experience in the industry?
- Are you willing to promote your business and the brand?

Does the franchise lifestyle fit you own lifestyle? Does your family support this decision? Do you have an accountant, banker, and attorney who will assist you with the startup and growth of the franchise?

Can you accept the importance of the brand above all else? The brand's value is more important than anything else and the customer's loyalty is to the brand, not to the individual franchisee. Belonging to a franchise system give you a competitive edge which partially compensates you for the cost of being in the system.

What kind of business should you consider buying into and operating? What is your area of interest and what is your field of expertise?

- The choices can be overwhelming. There are more than 75 industries and hundreds of different franchise businesses.
- Approximately 45% of all retail sales are franchise driven. One out of every 12 businesses is a franchise, with a new outlet opening every 8 minutes.
- Google the word franchise and see what's available for any range of initial investment starting as low as \$10,000. You can also look at Entrepreneur Magazine's top 500 franchises list.

A few weeks ago my classmate friend visited Petoskey on his fall color tour and we had a chance to review his Phase I progress. He said they had narrowed the list of potential companies to ten and most were those that perform insurance repair work (similar to Servpro). That seemed to be a good fit since he had worked many years for an insurance agency and was familiar with the insurance claims business.

Next we spent some time revisiting the Phase II - Due Diligence mission. Those tasks include the following steps:

1. Contact the franchisor directly and fill out a preliminary application form.
2. Receive and review the company's Franchise Disclosure Documents.
3. Visit locations and talk to existing franchisees.
4. Find answers to important questions including: Initial purchase price, royalties, startup training, ongoing support, national marketing participation cost, etc.
5. Research the brand and operating system.

It will probably be several months before my classmate moves into Phase III - How to Grow the Franchise; however, the mission is still on track. If you also have an interest in buying a franchise then call the Chamber and set up a meeting with a Score mentor to get free help.