

# FRANCHISING



# Introduction to Franchising

- <http://www.youtube.com/watch?v=OZmt23AyxXA>

The word “*franchise*” is Anglo-French derivation from franc meaning FREE. In this sense, franchising offers people the *freedom* to own, manage and direct their own business. ([www.franchise.org](http://www.franchise.org)).



# What is Franchising?

- Franchising is a method of doing business through a proven business model and or method of marketing a product/service which has been developed by a business owner and then adopted and purchased by other business owners as their own and is used in a wide variety of industries and businesses.
- For the **franchisor** (franchise owner/developer), the **franchisee** (person/s who purchase a franchise from the franchisor) is an alternative to building '[chain stores](#)' to distribute goods that avoids the investments and liability of a chain.
- A franchisor's success depends on the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.
- In terms of distribution, the franchisor is a supplier who allows an operator, or a franchisee, to use the supplier's trademark and distribute the supplier's goods. In return, the operator pays the supplier a fee.
- Thirty three countries, including the United States, and Australia, have laws that explicitly regulate franchising, with the majority of all other countries having laws which have a direct or indirect impact on franchising.
- One out of every \$7.00 spent by Americans for goods or services is spent in a franchise business.
- **2011 SBA Study reported veterans are 45% more likely to become entrepreneurs than persons without military backgrounds!**

# History of Franchising...

- Franchising developed over time as an efficient way to do business and there were versions of franchising employed in Europe centuries ago.
- Isaac M. Singer (1811-1875) gets credit for starting the modern use of franchising in the U.S. During the early 1850s, Singer, who had improved an existing sewing machine model, wanted to find a wider distribution for his product but lacked the money to increase manufacturing. Another problem was that people wouldn't buy his machines without training, a service retailers weren't able to provide. Singer's solution, to charge licensing fees to people who would own the rights to sell his machines in certain geographical areas, provided money for manufacturing.
- Franchising was employed on a limited basis after the success of Singer's sewing machine distribution method. Business format franchising (the licensing of the brand name/trademarks and of the entire business concept), which is the dominant mode of franchising today, came onto the economic scene after World War II and the subsequent baby boom.
- It was Ray Kroc (1902-1984), a milk shake mixer salesman who discovered the McDonald brothers' small San Bernardino, California hamburger stand in 1954, who is credited with unleashing the wave of franchising we know today.

# Franchising from an Economic Outlook...

## Economic stats tell part of the story...

- In the United States, there are 600,000-plus franchised businesses, with thousands more worldwide.
- Franchising pulls in one trillion dollars in retail sales, nearly half of all U.S. retail sales annually.
- Franchising enjoys an estimated 12 percent growth rate in the number of franchised units each year.
- More than nine of ten franchise owners surveyed by the Gallup Organization on behalf of the International Franchise Association Education Foundation said they considered their franchise to be either somewhat or very successful.
- Nearly two-thirds of the franchise owners said they would purchase or invest in the same franchise business again, if given the opportunity.

# Why a Franchise?

- Statistics only tell PART OF THE STORY...The reason most people buy a franchise comes down to personal dreams!



# Is Franchising Right for Your Client?

## Important Questions???

- #1 Are you willing and able to take on the responsibilities of managing your own business?
- #2 Will you enjoy the franchise?
- #3 Are you willing to completely follow the franchise system?
- #4 Do you have a history of success in dealing and interacting with people?
- #5 Can you afford the franchise?
- #6 Have you carefully studied the legal documents?
- #7 Does the franchise you are considering have a track record for success?
- #8 Are the franchisees generally happy and successful?
- #9 Do you like the franchisor's staff -- those people with whom you will be working?
- #10 Do you have a support system?

**\* Self Evaluation Worksheet**

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[http://www.frannet.com/?\\_vsrefdom=Frannet&utm\\_source=avia-ppc&utm\\_medium=adwords-search&utm\\_campaign=generic](http://www.frannet.com/?_vsrefdom=Frannet&utm_source=avia-ppc&utm_medium=adwords-search&utm_campaign=generic)

- An organization made up of **local** franchise consultants who partner with entrepreneurs to help determine the best franchise opportunities to match their goals, skill set and lifestyle, using research and analysis.
- FRANNET consultants also offer client assistance with initial consultation/*discovery* to determine if franchise ownership is right for him/her or if he/she is ready to purchase a franchise business.
- **Services are FREE!!**  
\* **Is franchising for you? (Worksheet)**



# Federal Trade Commission: A Consumer Guide to Buying a Franchise



**FEDERAL TRADE COMMISSION**  
PROTECTING AMERICA'S CONSUMERS

The Federal Trade Commission, the nation's consumer protection Agency, has prepared information to explain how to shop for a franchise opportunity, to include the obligations of a franchise owner and questions to ask before a client invests.

- Question Sub-sections:
- I. The Benefits and Responsibilities of Franchise Ownership
- II. Advance Work: Before you Select a Franchise System
- III. Selecting a Franchise
- IV. Finding the Right Opportunity
- V. Investigating Before You Invest
- VI. Before You Sign the Franchise Agreement
- \* ***The Federal Trade Commission enforces the Franchise Rule.***
- For information on the FTC: 1-877-FTC-HELP (1-877-382-4357)  
[Franchise Rule: 16 CFR Parts 436 and 437 \(898.81 KB\)](#)

# Key Legal Questions to Ask ??

## Personal Liability and Obligations of Franchisee and Family Members

Acquiring a franchise is a complex undertaking, as each franchise system is different; therefore, no one set of questions could serve as a complete list.

Below are sample questions:

1. What is the personal liability and obligations my family members and I face?
2. Where is the franchise located or to be located?
3. What type of trademark protection does the franchise have?
4. Will I be able to renew my franchise agreement?
5. Will I be able to terminate my franchise agreement? If so, under what conditions?
6. What are the sources of the essential products the franchise sells? Are there restrictions?
7. May I transfer the franchise to another owner?

# Franchise Funding Strategies

From Battlefield to Business Ownership: SBA Helps U.S. Army Veteran Shilo Harris

With so many options available for funding a new business, it is as important as ever to ensure your clients funding strategy is appropriate for their individual needs. Entrepreneurs often underestimate their capital requirements. Many entrepreneurs believe they only need sufficient capital for startup costs and to open the doors, they don't understand they need to know their *'breakeven point'* in an effort to know how much they will need to cover operating expenses. In addition, credit worthiness is of utmost important especially in today's volatile credit environment.

Examples of 'traditional' funding sources:

- > Home equity loans
- > Retirement Plan rollover funding



Examples of 'more popular' funding sources:

- > SBA loans
- > Securities-backed loans
- > 401K



# Franchise Resources/Information

## International Franchise Association (IFA)

<http://www.youtube.com/watch?v=7kKWa0DMZXQ>



- a) About the IFA... (more than 1,200 Franchise members)
  - b) Website's: [www.franchise.org](http://www.franchise.org) and [www.ifa.org](http://www.ifa.org)
  - c) Leadership and Ethics
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- a) Franchise Opportunities Guide
    - > To Order: Contact the IFA at (202) 628-8000 or [www.franchise.org](http://www.franchise.org) or to order additional copies (202) 800-543-1038



# Additional Resources...

## VETNET

VetNet is operated through collaboration between The Institute for Veterans and Military Families and Hire Heroes USA and serves as a platform to assist veterans and their families find careers. <http://www.vetnethq.com/>

## LEAD PARTNERS

**Hire Heroes USA** is dedicated to creating job opportunities for veterans and their spouses through military transition training and corporate partners.



HIRE HEROES

**Syracuse University's Institute for Veterans and Military Families** focuses on developing impactful programming, actionable research, policy analysis, and technical assistance to address social, economic, and public policy challenges facing the veterans' community.



## STRATEGIC PARTNERS



# More Resources...

- d) [www.militaryfriendly.com](http://www.militaryfriendly.com) Franchising World
- f) <http://www.franchise.org/digitalfranchisingworld.aspx>
- g) [www.franchise.org/insider.aspx](http://www.franchise.org/insider.aspx) IFA Insider (Weekly Newsletter)
- h) [www.franchise.org/pressreleases.aspx](http://www.franchise.org/pressreleases.aspx) IFA Press Releases
- i) IFA Smart Brief (Summaries of top business and franchise news)  
[www.smartbrief.com/IFA](http://www.smartbrief.com/IFA)

# IFA's VetFran Initiative



<http://www.youtube.com/watch?v=jFgvPch8Btw>

## Program Description:

- VetFran was created out of the desire of the late Don Dwyer Sr., Founder of the The Dwyer Group as a way to say, “thank you” to our veterans returning from the Gulf War. After September 11, 2001 terrorist attacks, IFA re-launched its campaign to assist U.S. veterans during this difficult time.
- VetFran has grown into over 600 franchise systems that voluntarily offer financial incentives and mentoring to prospective veteran franchise small-business owners.
- Thousands of veterans have become franchise owners through VetFran and other programs.

[www.vetfran.com](http://www.vetfran.com)

# IFA's VetFran Leadership/Partnerships

## IFA/VetFran Leadership:

President and CEO Steve Caldeira, CFE

Senior Manager, Research and Strategic initiatives Josh Merin

Both have made VetFran a powerhouse of activity both on Capital Hill, and around the country.

## Partnerships:

- U.S. Chamber of Commerce
- The White House Joining Forces Initiative
- Veterans of Foreign Wars (VFW)
- U.S. Department of Veterans Affairs (VA)
- Marine Corps Association
- Military Officers Association (MOA)
- And many others...



# Milestones



- 64,880 veterans have started careers in franchising since 2011.
- 4,314 veterans became franchisees among companies since 2011.
- There are now nearly 600 franchise systems and 14 suppliers supporting and actively engaged in VetFran.
- [www.vetfran.com](http://www.vetfran.com) is a one-stop resource and the VetFran Directory receives 44,000 visitors a month.



# Opportunities for Service-Disabled Veterans

## 1) U.S. Department of Veterans Affairs

### Vocational Rehabilitation and Employment Program (Chapter 31) for Self-employment

> This program helps qualified service-disabled veterans launch their businesses and mentors them until they are successful, profitable business owners. (Can certify as SDVOSB'S)

## 2) Veterans Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50)

> Designed on a federal level to encourage and support service-disabled veterans to start their own businesses. Provides for a *minimum* of 3% of federal expenditures to be made with SDVOSB's.

# Opportunities for Service-Disabled Veterans **Cont.**

## 3) **Veterans Benefit Act of 2003**

>Provides “set aside” or “sole source” opportunities for SDVOSB’s.

## 4) **President’s Executive Order (2004)**

>Requires the federal government to also include SDVOSB’s in subcontracting plans with prime contractors. Each federal agency must report annual progress toward this goal.

5) U.S. Small Business Administration launched the Patriot Express Pilot Loan Initiative to make loans up to \$500,000 that carried the SBA’s maximum guarantee.

*(Dropped early this year... currently offers the Express Loan/s)*

<http://www.wini.com/about-us/news/article/shilo-franchising-world-article>

# VetFran/Hiring our Heroes/Capital One Partnership

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- Veterans Day, 2011 the International Franchise Association launched an industry-wide campaign, *Operation Enduring Opportunity*, to hire as team members and recruit as franchise business owners 75,000 veterans and military spouses, plus 5,000 wounded warriors, by the end of 2014.
- The latest figures reported from the IFA prepared by Franchise Business Review shows over 64,000 veterans, military spouses and wounded warriors have started careers in franchising, including 4,314 new veteran franchise business owners, since 2011 through *Operation Enduring Opportunity*.



# Value of Bringing Veterans into a Franchise

## Value of Bringing Veterans into a Franchise

- The training skills that veterans learn during their service are uniquely aligned with those necessary to successfully own and operate a business.
- Recruiting veterans to join a franchise team is a mutually beneficial relationship, it brings capable and committed people to a franchise brand, and the brand serves as a stepping-stone to their future as a business owner!



# Veteran Resources needed to Roll to Franchise Success...



# The End !!!

## QUESTIONS

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