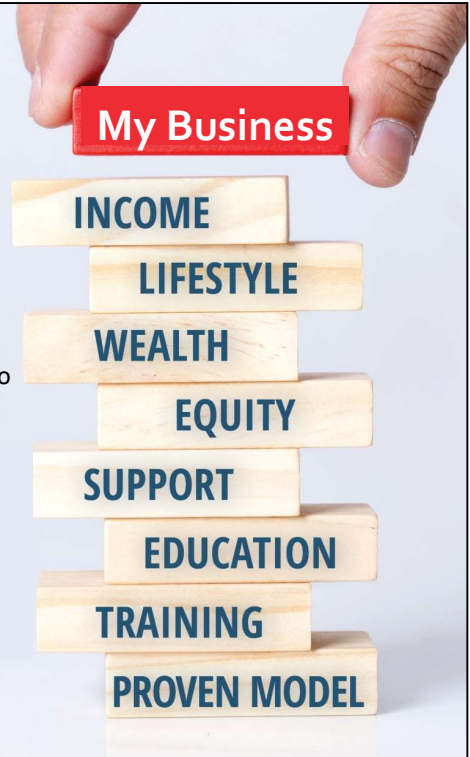



THE **ENTREPRENEUR'S**
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Understanding Franchising

Examining an alternative career path





Your facilitator today is:



Jerry Callistein, 50+ Expo & Career Gateway Alum
Entrepreneur, Coach, and Speaker

Helping people explore business ownership as a
vehicle to achieve their life goals

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Introduction

Hi Folks! My name is Jerry Callistein, and about three years ago I was right where you are. At a 50+ Employment Expo trying to figure out what I wanted to be when I grew up! I was also fortunate to have been able to attend a Career Gateway class where I learned a lot about myself and my career and made some very dear friends. I am glad to be back here, and I hope I can help you folks the way the JCA helped me!

A little about me. I was in software development for over 40 years, went from high-school hacker to Director of Information Systems. Then I burned out. Just couldn't do it anymore! So, I left where I was, stumbled around a bit, went through the Expo and the JCA Career Gateway, and eventually I hit upon a radical and exciting concept for me... entrepreneurship, specifically franchise business ownership

And that is what I'd like to talk about with you today.

To get the most out of this presentation, I challenge you to...

- Keep an open mind
- Be curious and willing to learn
- Dare to step out of your comfort zone for a bit.

If you can do these, then you could soon find yourself exploring possibilities you never thought about before.



So why are you here today?

Most of you are probably hoping to find a new job

One thing to ask yourself though,
What does a “New” job really mean to you? Are you looking to go in a new direction or are you hoping for a new version of the same job and career you had before?

A bunch of you right now are thinking about going back to your old career and are cringing inside. You’ve had a successful career, but for whatever reasons YOU REALLY DON’T WANT TO GO BACK THERE!

Maybe your priorities have changed. You’re not the same person you were 30 years ago. The goals and dreams you had when you were 20 and 30 have changed.

Maybe you’re just tired of the corporate world or tired of what you were doing but don’t see any alternatives

If that’s the case, then maybe it makes sense to see what other possibilities and options are out there for you.

Want to Own a Business?

- The Franchise Business Outlook
- What is Franchising?
- Types of franchises, business models, territories, investment and funding, evaluation process
- What's holding you back and how to learn more



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One possible alternative is becoming a business owner, specifically a franchise business owner

For some people it's a great way to go, for others it isn't, but it's something most of us have thought about having our own business from time to time!

Starting a business can be hard though. There's a lot to learn, a lot to know, a lot of things you don't even know you don't know.

That's where franchising comes in. One way to look at it is that a franchise is a "business in a box."

Franchises are great if you want to be a business owner but have no prior business ownership experience!

When you invest in a franchise, you are buying a Kit to help you found, build, and operate your own business. You get training, coaching, proven products and services and systems, and a community of other business owners who are there to support you and help you be successful. Being a franchise business owner gives you a quicker startup and higher probability of being successful than starting from scratch.

Today I'm going to give you a bunch of information about franchising. It'll be a bit like drinking from a firehose, but it should at least give you an idea of whether it's

something you want to investigate further.

We'll get a quick business outlook

Next an overall picture of what franchising is and how it works

Then we'll get into an overview of franchising concepts,

Talk about where to get more information and then

What you need to do a good evaluation of a franchise.

And then hopefully have some time to answer some questions

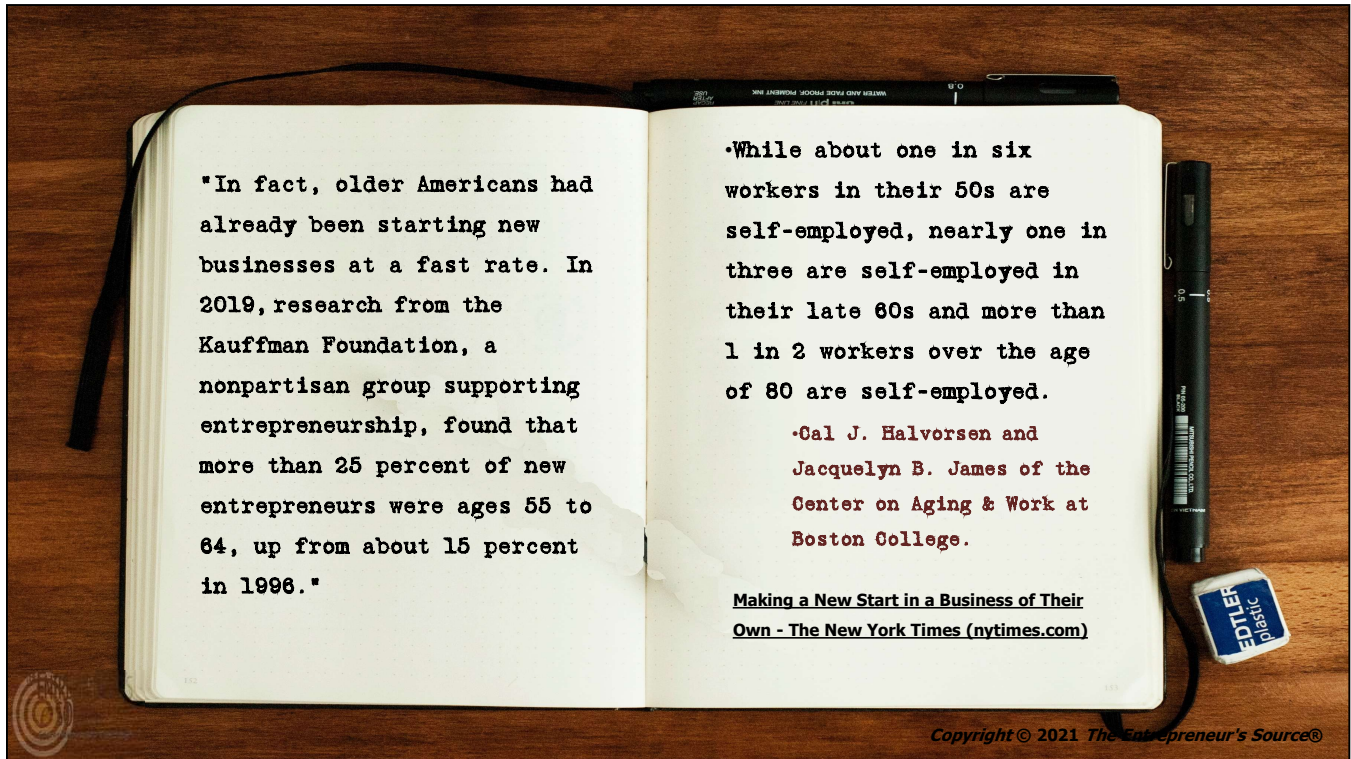


Let's start with the business outlook. Why would I even want to start a business now?

Even if you decide you like the idea of becoming a franchise business owner, it is really a good idea? We've just had one of the weirdest years on record with COVID, and a lot of businesses have gone under. Is this something I even want to THINK about doing now?

Maybe you're thinking, "I'm over 50, that's too late to start a business!"

Well, on the second one, you are dead wrong!



Age is definitely NOT a limiting factor when it comes to business ownership!

This is from a NY Times article from October 21, 2020...

25 percent of new entrepreneurs were ages 55 to 64, up from about 15 percent in 1996.

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

When franchisors look for potential franchisees, they are generally more interested in people who are good with the so-called "soft skills" like leadership, salesmanship, team building, planning, managing, and so on. These are skills you can only get and hone through years of experience. So, in this case, "Age" can be looked on as an ASSET rather than a liability

Most of the people I work with are 50 and older

THE FRANCHISE OUTLOOK for 2021

- In 2021, Franchising is projected to open more than 26,000 locations, add nearly 800,000 new jobs, and contribute \$477 BILLION to the US GDP.
- Franchised businesses contributed \$670 billion of economic output into the US economy, representing 3% of the total nominal GDP.
- In 2020, franchising lost approx. 20,000 franchised establishments, (2.5%) but still managed to support 7.5 million workers
- The market is expected to have a full recovery in 2021, with total franchise establishments growing at a projected rate of 3.5%. FRANdata forecasts franchising to experience a net gain of 26,000 businesses with a total of 780,188 franchise establishments in 2021, 6,585 units higher than 2019 pre-COVID levels.

Source: International Franchise Association: Economic Outlook 2021 franchise.org/sites/default/files/2021-02/Economic%20Outlook%202021_web2.pdf

The outlook for franchise businesses is good!

All this data is from the International Franchise Association's Economic Outlook for 2021. You can find the report at [FRANCHISE.ORG](https://franchise.org)

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COVID levels.

The net result is, yes franchise businesses did take a hit with COVID, but they are recovering, and they are growing!

For those of you who like to see the numbers, here's a little bit different way to look at it...

Franchise Business <i>Economic Outlook</i> 2017-2021					
	2017	2018	2019	2020 (Est.)	2021 (Proj.)
Establishments	748,752	760,476	773,603	753,770	780,188
<i>Percentage change</i>		1.6%	1.7%	-2.6%	3.5%
Employment	7,975,179	8,207,599	8,434,090	7,491,456	8,252,929
<i>Percentage change</i>		2.9%	2.8%	-11.2%	10.2%
Output (\$ billions)	\$720.4	\$760.3	\$787.5	\$670.0	\$780.0
<i>Percentage change</i>		5.5%	3.6%	-14.9%	16.4%
GDP (\$ billions)	\$427.5	\$452.1	\$473.4	\$446.3	\$477.4
<i>Percentage change</i>		5.8%	4.7%	-5.7%	7.0%

Source: International Franchise Association: Economic Outlook 2021 - franchise.org/sites/default/files/2021-02/Economic%20Outlook%202021_web2.pdf

Tells the same story. Things were going along smoothly for the past few years. Then COVID hit and the industry in general took some lumps, but things are poised to, and are, coming back and even coming back stronger!

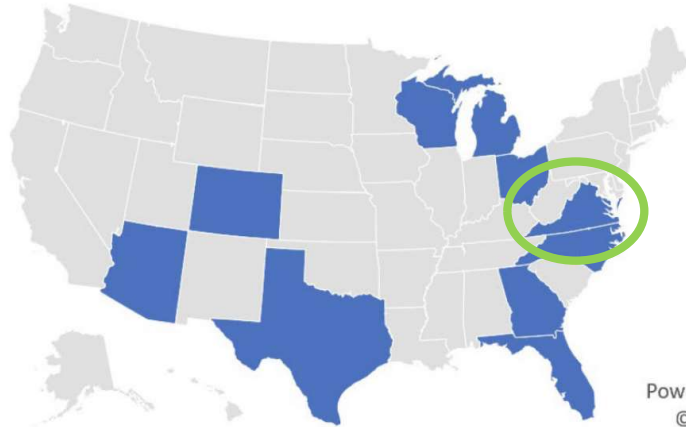
Compare 2019 to the 2021 projections. It says that the world of franchise businesses will recover from COVID in one year. 2020 was bad, 2021 gets us back on our feet, and the growth will continue from there.

Here's another nice piece of news for folks around here...

FRANdata forecasts that the top 10 states that are expected to sustain the highest franchise business growth in 2021 (in order) are Ohio, Florida, Michigan, Colorado, Texas, Georgia, Arizona, Virginia, North Carolina, and Wisconsin.

This ranking was based on a weighted scale of factors such as population growth, job growth, median household income growth, unemployment, and future business environment expectations.

Top 10 States for Franchise Business Growth in 2021



Source: International Franchise Association: Economic Outlook 2021 - franchise.org/sites/default/files/2021-02/Economic%20Outlook%202021_web2.pdf

“Virginia is Hot!”

The state is poised for strong business growth this year and likely on into 2022. (My guess is that this will bleed over into DC and Maryland a bit as well)

Seriously... The market is there. The market is growing. There is great potential for building a good and profitable franchise business

What is Franchising?

A method of distribution for a product or service that includes:

- Licensing of a trademark or trade name
- A proven business system
- Training & ongoing support
- Win-win business relationship
- Equity built with right to sell
- Payments/Franchise fee/Royalties and advertising fees
- Regulatory Oversight
- Normally exclusive territory
- Franchise agreement normally 10 years & then renewal fee

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What is Franchising?

A Franchise is a business partnership – You, the Franchisee and business owner do some things, the Franchisor and product owner, does some things, and together you both make money. They provide a brand and products, business model and support. You provide startup capital, management, and labor. They provide advertising and marketing; you provide networking and business development.

The Franchisor / Franchisee relationship is a very formalized partnership with clearly-defined roles and responsibilities. There are federally mandated rules around how the agreements are created, the information they must disclose to you, and how you interact with each other.

The Franchisor has developed products and services that they license to you to remarket in their name. They are putting their reputation in your hands, and if you aren't successful, they aren't successful, and on top of that, their reputation and brand get tarnished.

Because of this, the Franchisors go out of their way to provide you with support mechanisms – software systems, marketing, owner training, employee training, product discounts, peer support, coaching, call centers, billing -- the list goes on and on – to help you run your business effectively, efficiently, and profitably.

And they give you territories (at least in many cases). If you become the owner of a Joe the Plumber franchise, they will guarantee you a territory, or territories, where there will be no other Joe the Plumber businesses. You may still have competition, but not from "yourself".

Of course, you do pay for these services. Part of it is the Franchise fee that gives you the right to do business under the Franchisor's brand. You may also pay for some of these back-end services like technology support and advertising. Finally, the Franchisor may get a "cut" of your revenue – a percentage of sales or of fees collected.

That sounds like a lot, but much of what they provide for these fees are things you would need anyway. You probably need some form of customer management system, you definitely need advertising, maybe billing or a call center. You and possibly your staff need training in the products and services. These are all normal costs of doing business, and why not get them from someone who has already done the work to make these services specific to your business?

As for their cut, that's part of the "you make money, they make money" concept. The model is that the strength of the brand should more than make up, in terms of volume or revenue, for the amount of money you give them. Is it perfect? No. But overall, it is an effective way to do business.

Remember though, that at the base of all this is YOUR business. You own it. The profits are yours, and you can build up equity in terms of physical assets, customer base, and goodwill, that you can sell if you wish.

So what does this partnership mean?

What you bring...

- ~~Industry knowledge~~
- Life experience + Passion
- Open mind / Desire to learn
- Basic professional skills
- Work ethic
- Startup capital
- ~~Years of business experience~~
- ~~Sales + marketing skills~~

For yourself

Not by yourself

What they supply...

- ✓ Proven products & services
- ✓ Industry expertise
- ✓ Product & methodology training
- ✓ Sales & Marketing expertise
- ✓ Coaching
- ✓ Management tools
- ✓ Years of business experience
- ✓ Best practices and guidelines
- ✓ SUPPORT

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When you are a Franchise Business Entrepreneur, you are in business FOR yourself, but not BY yourself.

Like I said, it's a partnership. You provide the general, they provide the specific. You provide the work; they provide the products. You provide the energy; they provide the training.

That's a very important point. One of people's biggest fears about franchising is that they might go onto a business they know nothing about. It's true, but it turns out that it's not a bad thing...

In fact, most Franchisors want their new owners NOT to have industry-specific experience because they want franchisees to learn the business THEIR way and use their tested and proven methods for success.

Might you need to learn QuickBooks or brush up on your public speaking skills? Sure

Does having a basic business and management background help? Of course, but it is not necessary.

One way to look at franchise business ownership is that you are getting, in effect, a practical MBA!

When you open your doors, you WILL have all the tools you need to be a successful owner. You will need to gain experience and confidence using them, but that's what the coaching and peer support programs most franchisors offer is all about.



Great! The next question is... what franchise do I want to go into?

There is a common misconception that every franchise is a McDonald's or a Burger King or a 7-11 or a Domino's Pizza or a donut shop.

Way back in the early days of franchising this was largely the case. Many of the first major franchises were fast food, like this McDonald's from 1968

(I really just stuck in this picture because that's my dad in the windbreaker. This was one of his stores!)

Today though, the picture is a lot different...

Franchise Business Types

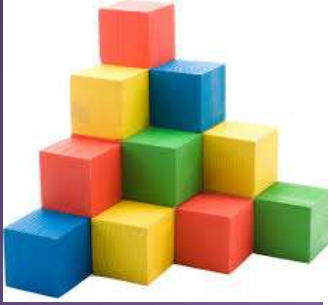
- **Automotive**
- **Beauty & Personal Care**
- **Business services & Maintenance**
- **Children's products & services**
- **Coaching**
- **Training**
- **Recruiting**
- **Education**
- **Elder Care**
- **Energy & Environment**
- **Financial services**
- **Health & Fitness**
- **Home Decor & Improvement**
- **Home services & Maintenance**
- **Hospitality & Food**
- **Light Manufacturing**
- **Logistics**
- **Marketing & Advertising**
- **Moving & Storage**
- **Pets**
- **Photography**
- **Real Estate**
- **Retail**
- **Technology**
- **Travel**

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While you certainly can get into food service if you want, (and yes there is still a lot of money to be made there) franchises today cover a wide variety of businesses. And even this list here is just a sample. My organization's database tracks at least 94 different categories of business models!

Don't want to flip burgers or have a cell-phone kiosk at the mall? No problem. Have a passion for technology or children or the environment or real estate or pets or personal care or fitness or whatever... You've got choices!

Business Formats

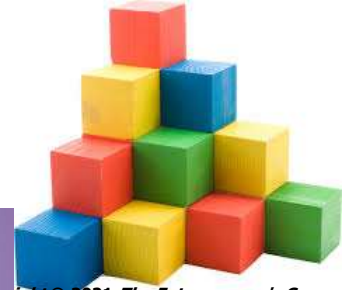


Mobile: Coaching, Consulting, Web Marketing, Training, Staffing, Senior Care

Home Office/Small Office: Home Repair & Improvement, Construction, Distribution, Maintenance, Financial, Education, Business services

Light Retail: Small Fitness, Light Food Services, Health & Beauty, Light manufacturing, Child services, Pet services, Equipment Repair

Large Retail: Full Restaurant, Large Gyms, Hotels, Storage, Entertainment, Automotive



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And there are different models for your business. Which one is right for you will depend on your preferences and on the type of business you go into

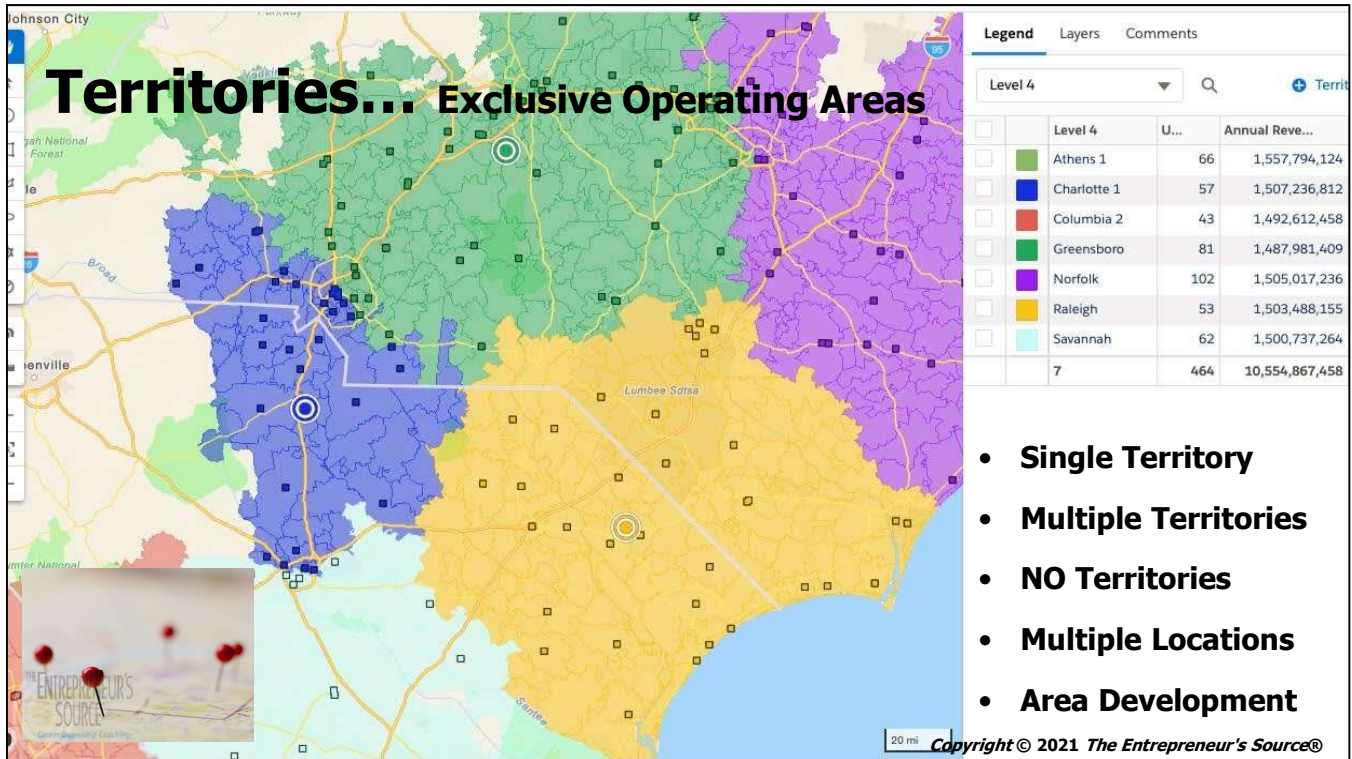
Some business can be Mobile. They are “Have laptop & cellphone will travel.” Work from your house or the beach or from Starbucks.

Other businesses need a home office or other small office. This is often the case if you have employees, or some storage or equipment needs

Some have storefronts and require you to go out in public more.

And some businesses are full-on large operations ... Can't open a muffler shop in your own garage!

One important thing to remember is that businesses can be a combination of these. You could have an office but spend a lot of time in the field with your customers. You could have a Gym or Pet Grooming location but do all the back-room office work out of your house. You could have a chain of restaurants you could run from your yacht!



We touched on this briefly before, but one very interesting feature of Franchises is the concept of TERRITORY

A Territory is the area in which you may operate. In that space, the Franchisor will allow no other instances of their business. There may be other businesses that compete with yours, but nobody else will be able to own or operate a business of your brand. On the other hand, you are not allowed to market or provide your business' products or services in the territory of another franchisee. Essentially, your territory is your customer base.

Territories can vary in size depending a lot of factors... If you have a physical location, the territory will generally be a lot smaller – blocks or miles around your store. For services like home repairs or senior care or tutoring and education, the areas will be much bigger. The overall size is a function of the type of business, demographics, and population density.

There are some franchise businesses, like mine, that have NO territory restrictions. We are free to operate anywhere in the US and Canada. Business without territory boundaries are generally of the consulting, coaching, executive services, and training varieties.

A lot of people, when they start out with a franchise, will purchase a single territory or a single location. Then as their business grows, they purchase additional territories or locations. There are, however, advantages to getting multiple territories up front. The costs are typically lower, and you can guarantee yourself contiguous territories. Once you purchase a territory it is possible that someone else will become a franchisee and have a territory that abuts yours. This could limit your growth

Finally, if you are more ambitious and looking to build a larger business, you could look into becoming a Regional Developer, who is someone who takes accountability for brand expansion within a large territory. For taking growth accountability to develop new franchises in an area, a Master Franchisee may receive a percentage of upfront fees and/or royalties paid by new franchisees. So, you become part a Franchisee, and part Franchisor

Franchise startup costs

Mobile/Home Office: \$50,000 - \$150,000

Small office/Location: \$150,000 - \$500,000

... And up!

Includes:

- Fees
- Training
- Equipment / buildout
- Operating expenses

An investment you make in yourself

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WHAT'S IT GONNA COST ME?

Always the first question on everybody's mind!

The answer of course, is "It depends"

A lightweight franchise like my coaching business costs barely a fraction of what you would pay for say a hotel. And yes, that is two extremes of a very wide spectrum.

Short answer: Most average folks who become franchise business entrepreneurs invest from roughly \$75,000 to \$250,000. **THESE ARE NOT EXACT QUOTES!** It's just to give you an idea of what the typical small business franchise looks like.

What's included in that amount breaks down into four rough categories:

- **Fees:** This is mostly your franchise fee which formalizes your relationship with the franchisor and gives you the license to sell the product or service under their name. This gives you access to all the resources of the franchisor organization

- **Training:** Since most franchisors do NOT assume their franchisees know their particular business, they need to train you in the products and services and methodologies of their brand. This usually also includes basic business coaching and mentoring up to and beyond opening.
- **Equipment & Buildout:** This is probably the biggest variable. For me, I started with my old laptop and cell phone, bought some custom polo shirts, business cards, and a nifty banner and I was all set! If you're opening a home or business services franchise you may need to rent a truck, buy equipment, hire people. If you're opening a hair salon, you'll be renting space, decorating it, equipping it, etc. When considering a business, any business, this is one area where it pays to do some careful research and planning.
- **Operating expenses** covers the things you do to keep the business running day-to-day like rent, advertising, phone service, insurance, accountants, etc. Generally, the investment amount takes into consideration 6-9 months of operations.

An important thing to note here, the money we are talking about here should not be considered an "Expense." Yes, you are laying out money, but what you are doing is taking a leap of faith in yourself. You are affirming to yourself that you have the drive and will do the work you need to make sure the amount you INVEST in this business yields no just good, but great returns. And you CAN do it!

Financing Options

- **401K or Pension Conversion**
- Home Equity (HELOC)
- Family, Partners, Angel Investors
- Stocks and Bonds
- **SBA Loans, SBA Express Loans, M5 Loans for Veterans**
- **Signature Lines of Credit**



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WHERE'S THE MONEY COMING FROM?

Usually, people do not have the cash on hand they need to start a business, franchise or otherwise. So where does it come from?

I'm sure most of these are obvious to you, but there are two I'd like to mention specifically:

First, tapping into your Pension or 401k accounts. There are legal ways you can do this without incurring tax penalties for early withdrawal. Now most people don't go and drain all their retirement savings into a business venture, but it can supply a good amount of tax-free and interest-free money.

The second one is getting loans through the Small Business Association. The SBA helps small businesses obtain needed credit by giving the government's guaranty to loans made by commercial lenders. The lender makes the loan and SBA will repay up to 85% of any loss in case of default. Since this is a bank loan, applications are submitted to the bank and loan payments are paid to the bank. The bank is also responsible for closing the loan and disbursing the loan proceeds. M5 loans are SBA loans especially for Veterans. They application process is a bit easier, and the

interest rates are usually a little lower, but they are essentially the same as SBA loans.

Before you go and crack open your piggy bank or tap into your 401k or apply for ANY loans, it makes sense to <CLICK> talk with qualified financial advisors, especially people who **specialize** in small business funding. If you have an investment or retirement account and a regular financial advisor, by all means talk with them first, but as good as they are, they probably do not know about 401k rollovers and SBA loans. That is a specialized field.

Where to Find Franchises



International Franchise Association (IFA)
franchise.org



Franchise Shows
franchise.com/business-franchising-events



franchisematch.com



entrepreneursource.com/?purl=jcallistein

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How do I find a franchise business?

There are around 3,000 businesses that offer franchises! How do you find one for yourself?

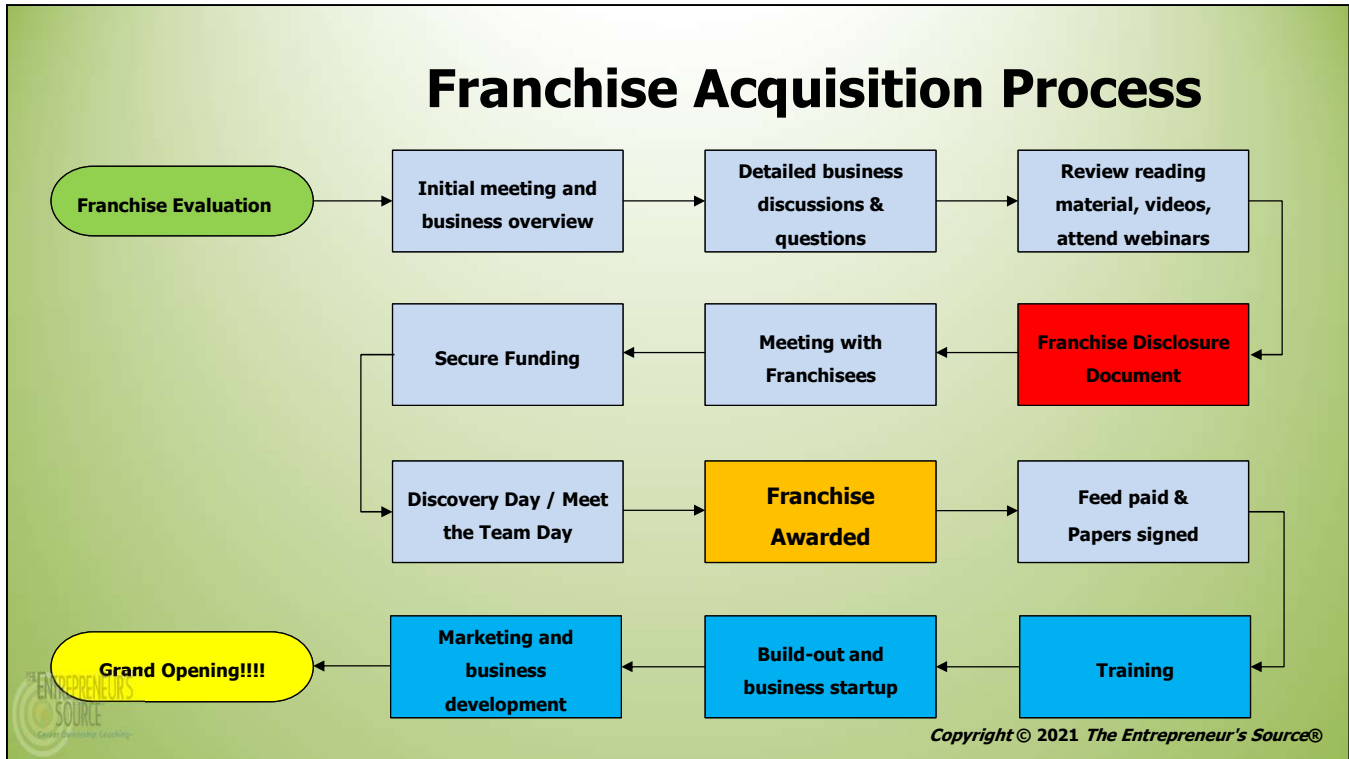
The IFA is a good place to start. It is a nonprofit organization dedicated to promoting and educating people about franchising.

There are franchise shows around the country. Admission is usually free, and you'll have the chance to meet face-to-face with hundreds of franchisors (it CAN be a little overwhelming)

There are franchise search websites like franchisematch.com that help you sift through the thousands of potential businesses based on interests, investment amounts, locations, etc.

The Small Business Association maintains a huge list of franchise businesses on their website <https://www.sba.gov/sba-franchise-directory>

Finally, there are franchise brokers who try to sell you franchises and coaches like me who help educate you and explore business possibilities



Once you’ve found one or more franchises you are interested in, how do you learn about them and decide whether you want to invest?

This chart gives you the general progression of events you will encounter when you explore and open a franchise business.

The first three rows is the Discovery phase where you learn about the business, and they learn about you. These steps may happen in slightly different orders for different franchisors, but you will touch on all of them at some point. Steps may be repeated, or additional ones put in as appropriate. The process may also terminate at any point if you decide that you are no longer interested or if they decide not to continue with you.

While you are going through this discovery, keep asking yourself... Are these people I can work with? Can I abide by the guidelines and processes they put in place? Can I see myself doing this? Don't be afraid to ask questions and talk with other franchisees.

And read the Franchise Disclosure Document!!!! This is a federally mandated instrument designed to provide prospective franchisees with information about the

franchisor, the franchise system and the agreements they will need to sign so that they can make an informed decision. They are dense and scary looking, but they all have the same sections and format. You can find a good breakdown of the document on the IFA website (<https://www.franchise.org/what-information-does-a-franchise-disclosure-document-fdd-contain>)

If you feel you need an attorney to review it for you, find one who **specializes** in franchises. Most lawyers do not know the specifics of franchises and may misinterpret or miss key data.

And while you are doing all this, The franchisor is evaluating you! Do your personalities mesh? Can you handle the work? Can you secure the funding? Will you represent the brand well?

In the end, you do not just buy a franchise. The franchise is awarded to you by the franchisor, and you choose whether to accept.

Business Exploration Toolkit

- Information
- Education
- Time
- Reflection
- Planning
- Coaching

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What are the tools do you need to do a successful franchise business search?

Well, there are Six, really...

- **Information** - Gather information, compare and contrast businesses.
- **Education** - Be open-minded to learn new concepts, be willing to step outside your comfort zone and try new things
- **Time** - Dedicate time to the process
- **Reflection** - Think about what are your strengths, what do you like to do, what don't you like to do.
- **Planning** - Build some goals. Write a plan of what you are trying to achieve.
- **Coaching** - Work with someone who knows the ropes and can guide you (That's where I come in, or there are groups like SCORE, or you may have your own mentors and coaches)



So, is franchising a good career direction for you?

You probably don't have the answer to that yet, that's okay. It is very different from the traditional job path, but it does have its plusses...

- YOU are in charge of your career.
- Your age is NOT a limiting factor
- The choices you make are your own
- The risks you take are yours
- Your effort produces results that are YOURS
- Earnings potential is greater than most traditional jobs
- You decide how things are run (within reason)
- And after a while, you can step back and have someone else run things!

MOST OF ALL...

You get to build something that is YOURS

Not only does it make money, but it has value. - Something you can sell or pass on to your children (Can you do THAT with a job?)

Where could you be a year from now?

Schedule a free session:
jcallistein-tes.youcanbook.me



Jerry Callistein, Career Ownership® Coach
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I hope this has been worthwhile session for you. Business ownership is not for everyone, but it is most definitely a viable alternative, especially for people 50 and over.

The outlook and climate for franchise business ownership, especially in this area is good an improving

There are risks associated with business ownership, like investment, and hard work, but the rewards are a greater income potential, an improved lifestyle, and the accumulation of wealth and equity towards retirement or whatever else you wish.

A quick plug for me. I coach people like you through this process. I'd be happy to set up a free coaching session with you and we can see if it is something you would like to explore.

So I ask you...

Where could you be a year from now?

Is it time for a new beginning?

Thanks

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Career Launchpad: <https://entrepreneurssource.com/?purl=jcallistein>

International Franchise Association: <https://www.franchise.org>

Franchising 101: <https://entrepreneurssource.com/blog/e-tips/franchising-101-from-the-entrepreneurs-source/>

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