



Your Guide To Becoming a Successful Franchisee

Our Expertise, Your Franchise Success



Are You Ready for Business Ownership

Owning your own business can be one of the most rewarding experiences life can offer but is not for everyone! Many successful entrepreneurs often associate growing a business to raising a child... Something they could not imagine life without but it also came with sleepless nights, stress, setbacks, self-doubt and more... Yet when asked "Was it worth it?" the answer is always a resounding, "YES!"

If working for 5 o'clock, doing the minimum just to get by for a paycheck and not interested in advancement describes you, then business ownership is probably not your thing. But if you aspire to be your own boss and build a business that will one day work for you then keep reading!



"Successful entrepreneurs spend a few years of their life doing what most people won't so they can spend the rest of their life doing what most people can't."

Mark Cuban

A Day in the Life as an Entrepreneur



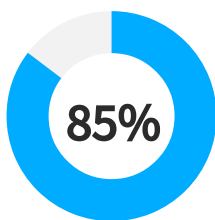
The Benefits of Franchising

Franchising Offers:

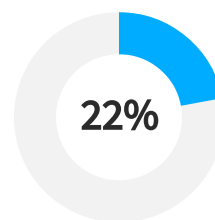
- A proven business model and method
- An established brand
- Training and ongoing support
- Start-up assistance
- Part of a collective seeking the same goals
- Lower risk and failure rates
- Greater purchasing power
- Powerful marketing tools and services
- Preferred location availability

To be a successful franchisee you must be prepared to follow the system and play by the rules.

A Greater Chance of Success



Approx. 85% of franchises are still in business after 5 years.











Approx. 22% of independent businesses are still in business after 5 years.



Franchisee Requirements

Contrary to what many believe, becoming a franchisee with a thriving brand is a lot more than just paying the fees. Strong franchisors don't sell franchises, they award them to the right people for their brand. Even though you are the one making the majority of the investment, don't forget a franchisor is also investing in you. It is important when exploring a franchise to put your best foot forward. Below are common traits most franchisors are looking for in a new franchisee.

-  A Liquid Capital Requirement
-  A Net Worth Requirement
-  Ability to Make the Total Investment
-  Ability and Willingness to Follow a System
-  Strong Communication Skills
-  Accountability
-  Eagerness to Learn
-  In Some Cases Relevant Industry Experience



What type of Franchisee are You?

In the world of franchising there are three primary types of franchise owners. Determining which category best suits you can save you countless hours of research and help you narrow down the selections that are going to best fit your goals as a business owner.

Owner / Operator

The owner / operator model is probably the most common of all types of franchise opportunities. In these models the franchisees are always directly involved in the delivery of the products or services your business offers. This may mean you are out in the field, behind the counter or on the truck, but you will be directly involved in most all day to day activities. Owner / operator models tend to have the benefit of a lower investment and little to no staffing requirements.

Executive Level Ownership

While most executive level owners do tend to stay very involved in their business's day to day operations, they generally serve in a more CEO type role, overseeing all aspects while their staff handles the delivery of all products and services. Executive level models tend to be very scalable but are often slightly larger investments with higher overhead and of course rely heavily on one's ability to manage a strong team of employees.

Semi-Absentee

Few businesses are true absentee models but semi-absentee franchises are geared more towards the investor that is looking to put their money to work more so than themselves. All successful business owners have to roll up their sleeves from time to time no matter what but a semi-absentee model is more of a manage the manager type of business. While semi-absentee models do tend to be on the higher end investments they make great businesses for the entrepreneur that already owns other businesses or remains full time employed.

Love the Model Not the Widget

Far too often people who start a business, franchise or not, do so because they are passionate about a product or service, thus thinking it will be the perfect business for them yet commonly this is a mistake. Yes, it is important to believe in your product or service, but just because someone loves to bake does not necessarily mean they should open a bakery. When looking for your ideal franchise it is equally as important, if not more, to love the business model more so than the widget.

Key Elements to Consider:

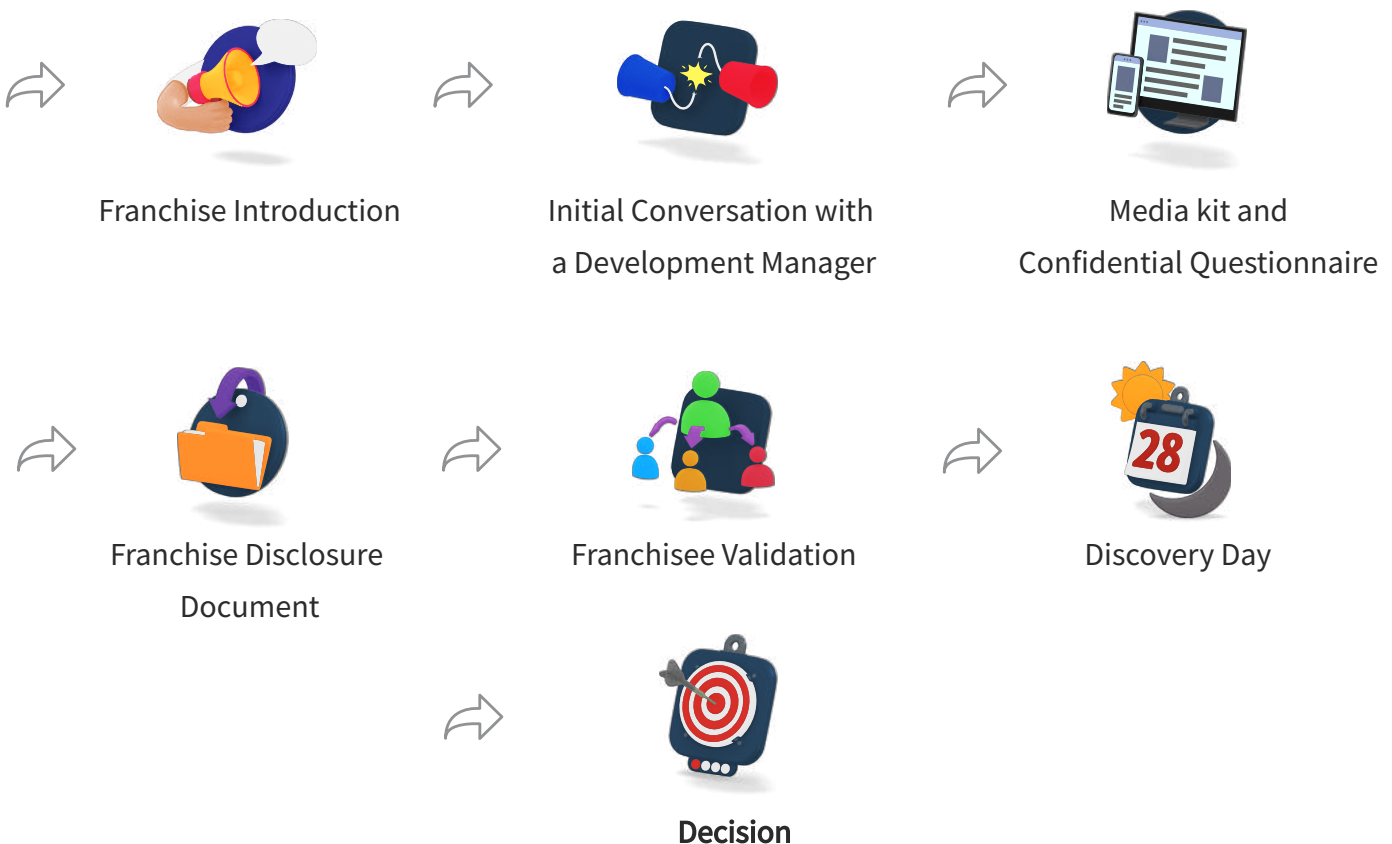
- Can it offer the lifestyle you are looking for?
- Can it utilize your key strengths?
- Does it fit your threshold for staffing requirements?
- Will it serve well in your target market?
- What drives the growth of this business?
- Can it scale to achieve your long term goals?
- Will you fit well within their culture?

Truth be told, despite the thousands of franchises to choose from there are only a handful of business models. For example, a cleaning franchise and a senior care franchise share a lot in common in terms of the business model, they just sell different widgets. Your Success Franchise Advisor can help you nail down the right business model and then help you start comparing the widgets.



The Franchise Discovery Process

While of course it will vary from franchise to franchise, below is the typical discovery process when exploring a franchise. The discovery process can take 45 - 90 days and your Success Franchise Advisor is there to help you every step of the way.



How Much Can I make?

The most common question asked in franchising is, "How much can I make"? Clearly as an investor you deserve to know what your potential return on investment can be. The crazy part is by law, franchisors cannot promote their opportunity based on how rich it is going to make you. Why? Decades ago too many franchisors were misleading investors on the financial upside of their opportunity and the government stepped in. That being said, here is how you do get this critical information.

Item 19 - Earning Claims

Approx. 60% of all franchisors do make earnings claims in their Franchise Disclosure Document which can help, but know this... The large majority of these claims speak to gross revenues and not to net revenues. After all, gross revenues are how most franchisors base their royalties. If your business generates \$500,000 per year but costs \$500,000 a year to operate then the owner is making zero. For this reason the Item 19 should only be a starting point.

Franchisee Validation

Speaking to other franchisees is a standard part of the discovery process and is the most reliable method to answering the question of earnings. While a franchisor cannot, a franchisee can discuss freely how much money they are making, how long it took them to get there and much more about their experience as a franchisee with that brand. Most franchisees are happy to share their experience as at some point they too had those same discussions when they were exploring the brand.

Industry Averages

According to the International Franchise Association, the average net income for a single unit franchise owner across all industries is \$92,000

Franchise Validation

One of the most important steps in the franchise discovery process is validation. IE: speaking with other franchisees with that brand. The FDD must list all existing franchisees and it is strongly recommended that you speak with many of them. Below are some recommended topics to discuss.

- The background of the person before they became a franchisee
- The initial training and ongoing support
- The franchisor's marketing programs
- Purchasing power if applicable to the model
- Ongoing franchisor and franchisee relationships
- Accuracy of the initial investment projections
- Earnings and the time it took to achieve them

Important Tips

- Validate the system, not the franchisee
- Don't be easily discouraged over challenges you hear about as we all have tough days in the office and no business is always easy
- As you speak to people, ask yourself who you most see yourself in... the top producers or the ones struggling
- Expect great, not perfect
- Beware "the franchisee next door"! Sometimes a franchisee that is located in a territory very near you may try to discourage you simply because they view it as competition



Funding Your Franchise

When it comes to securing the investment for your franchise there are several options available. Success Franchise Advisors have close relationships with some of the largest funding sources in franchising and can help you explore your options. In addition, most franchisors also have relationships with various funding sources.

Traditional & SBA Loans

Securing a loan either through your local bank or a preferred SBA lender is a common method used. Loans can typically range from \$150k to \$1mil+ and will rely on things like your credit as well as the franchise you are looking to invest in. Typically speaking, this group of lenders prefers to make loans on franchises that are fairly established and have a minimum of 20 franchisees. Commonly SBA loans can be secured with as little as 10%-15% down. Success Franchise Advisors works with one of the nation's largest SBA lenders and can help you get an approval answer in as little as 48-72 hours.

401K Rollovers

Also referred to as the IRS's Rollover for Business Startups, (ROBS) a rollover allows you to access your retirement savings account, such as a 401K or IRA tax-deferred and without early withdrawal penalties. In the right situation this can be an excellent way to start your business debt-free. Success Franchise Advisors works closely with the franchise industry's largest provider of these services.

Cash On-Hand

While this one is fairly obvious, not all franchisees have the cash on hand to make the full investment in their franchise but if they do, this is a great way to start your business debt-free and without accessing any retirement- savings accounts. It is important to factor in any living expenses before draining the savings account as most businesses will take 6-18 months to generate a substantial cash flow.

Getting to 80%

What do we mean by getting to 80%? Simple... if you wait until you are 100% sure and confident that you have found the 100% perfect business there is a good chance you will never find the opportunity or the time to own your own business. Any successful entrepreneur will tell you, business always has risks but the risks should be carefully calculated.

An analogy we love to use with our clients is to compare going into business for yourself like having kids... Absolutely there is a good time and there is a bad time be very seldom "the perfect time". Had we, had our parents waited until the absolute perfect time, chances are our kids nor we would have ever been born.

If you have owned businesses before you understand this, but if you are a first time business owner the decision can be scary. We understand and it is perfectly natural. Most first time business owners experience these emotions. Do you remember the very first time you jumped off a high dive? Chances are you were 80% sure you wanted to do it but had that 20% that you had to tell yourself, "I can do this". And for most of us, after splash down were headed right back up the ladder to jump again. Welcome to entrepreneurship!

Rest assured we at Success Franchise Advisors are here to help you every step of the way. We see these fears every day and understand. We will never try and rush you to a decision or push you into something that you don't feel is right for you. Good franchising does not work that way and neither do we.

Whether you choose to dive right in or go up and down that ladder 10 times before making the plunge, we are happy and grateful for the opportunity to assist.

Getting the Most Out of Your Advisor

Your Success Franchise Advisor is here to help you every step of the way. Not only are we experts in franchising but are true industry insiders. We are not biased towards any particular brand yet are laser focused on helping you identify strong potential investments that meet your goals and will well serve your market.

A few points to help you get the most out of your advisor:

- Be candid! The more we know the more we can help.
- Anything you share with us is strictly confidential.
- If and when we introduce you to a franchise be accountable.
- If you decide a particular franchise is not right for you - no problem! We will keep looking.
- Collectively our team has decades of franchise experience. If your advisor does not have the answer they will get it.
- The only dumb question is the question never asked. Utilize our expertise.

On behalf of the entire Success Franchise Advisors team, we are grateful for the opportunity to assist you, applaud your entrepreneurial spirit and look forward to helping you achieve your goals as a franchise owner.

Our expertise is your franchise success.



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