

# HOW TO ANALYZE *a* *Franchise* BEFORE *investing*

A side-by-side analysis for franchises compares the potential costs and returns of similar brands, and can help you make the best decision when becoming a franchisee. Here's what it should look like, courtesy of InCredibly contributing editor Joe Tagliente.



Development Cost/Investment*	\$330,500-\$519,500	\$131,150-\$928,405	\$197,000-\$427,500
Franchisee Profile (Liquid Assets/Net Worth)	\$80,000/\$300,000	\$90,000	\$200,000/\$300,000
Franchise Fee (single unit)	\$35,000	\$20,000	\$40,000 + \$6,000 dev. fee
Territory Franchise Fee	N/A	50% of FF of plan	\$50,000-\$220,000
Estimated Total Initial Capital Needed	\$425,000	\$529,778	\$250,000
Royalty	6.00%	6.00%	7.00%
NAF%	4.50%	3.00%	4.00%
Average Unit Sales	\$1,470,812	\$731,006	\$809,693
Average Cost of Goods Sold	27.42%	33.30%	33.00%
Average Labor	27.07%	25.50%	28.00%
Average Cash Flow (EBITDA)	\$318,206	\$102,000	\$114,000
Cash Flow as percentage to Sales	21.63%	13.95%	14.08%
Cash Flow to Initial Capital Ratio	75%	19%	46%
Number of System-wide units	1954	800+	70
Estimated Average Check	\$12.30	\$10.00	\$10.50

## \* Breakdown of Development Cost/Investment

Initial Franchise Fee	\$35,000	\$20,000	\$40,000
Real Estate Rent (1 month)	\$2,500-\$8,000	\$2,500-\$10,000	\$4,000-\$16,000
Real Estate Security Deposit	\$2,500-\$6,000	\$2,500-\$10,000	\$2,000-\$12,000
Leasehold improvements	\$100,000-\$200,000	\$52,357-\$273,663	\$45,000-\$180,000
FF&E, signage	\$100,000-\$150,000	\$58,637-\$131,548	\$72,000-\$107,000
Architecture	\$5,000-\$10,000	N/A	\$1,000-\$3,500
Office Equipment & POS	\$2,500	\$100-\$8,717	\$6,500-\$17,000
Utilities Deposit	\$1,000-\$2,000	N/A	\$1,500-\$2,000
Opening Inventory & Supplies	\$6,000	\$5,312-\$18,751	\$8,000-\$17,000
Grand Opening Marketing	\$5,000	\$5,000-\$10,000	\$2,500-\$3,500
Training Expenses (Out-of-pocket for 2 people)	\$6,000-\$10,000	\$300-\$12,500	\$1,000-\$11,000
Insurance	\$4,500-\$9,500	\$2,000-\$7,800	\$1,500-\$2,000
Legal & Accounting	N/A	N/A	\$1,000-\$3,000
Miscellaneous	\$2,000-\$10,000	\$2,000-\$61,107	\$5,000-\$8,000
Working Capital (3 months)	\$63,000	\$25,000	\$3,000-\$15,000

Total Estimated Development Cost/Investment	\$330,500-\$519,500	\$131,150-\$928,405	\$197,000-\$427,500
Average Unit Size (SF)	600-1,800	1,600-2,000	650-1,880
Average Sales Per SF	\$1,166.67	\$406.11	\$674.74

## NOTES:

Ranked as a hot franchise by Forbes Magazine.

Avg. ann. sales increase 7.8%. Ranked as a hot franchise by Forbes Magazine.

Ranked as a hot franchise by Forbes Magazine. SBA Registered to assist with financing.