Franchised Business Owners: Who to Look for?
Who am I?
- A franchise owner
- Left Corp. America after 20-yrs of leading technology teams
- Married, dual income, children
- Wanted to build something
- Wanted more independence
- Wanted more responsibility
- Felt it was too expensive (risky) to develop an engineering company
What is FranNet?

- 30 yr old franchise consulting firm
- The local, high-touch group
- 70 US offices, 130 consultants
- Worked with the SBA since 1987
- We match people who want to be in business with a franchise that meets their needs
- No Cost!

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What Is Small Business?

Small Business = 94% of ALL U.S. Businesses

Creates More Than 75% of ALL new jobs in the U.S.

Accounts for 50% of the GDP

And it’s how 5 out of 6 millionaires made their money

Source: The Millennium Next Door by Stanley and Danko

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Explosive Growth in Female Owned Small Businesses

Data from SCORE

Women in Business

11.3 Million
woman-owned U.S. businesses (approx.)

Supporting nearly
9 Million Jobs

Generating annual revenues of
$1.6 Trillion

Women are majority owners
of 38% of U.S. businesses
...up from 29% in 2007

More women are starting businesses...
5X faster than the national average
since 2007

1,071
woman-owned firms started
every day!
Business Ownership Options

- Buy an Existing Business
- Start a Business from Scratch
- Buy a Franchise
- Buy an Existing Business

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A Franchise...

**Advantages**

- A proven, time-tested business model that works
- Predictable future results
- Very attractive to lenders
- Transparent due diligence process with the franchisor and existing franchisees
- Recognized brand name and turn-key operating systems

**Disadvantages**

- An seemingly endless and overwhelming number of concepts to choose from
- Paying a franchise fee
- Royalties
- Reporting, compliance, and mandatory attendance for training, annual conferences, etc
What you get when you buy a franchise

- Franchise/Franchisor Partnership
- Name recognition/licensed trademark
- Proven business system
- Training & support
- Marketing expertise
- Purchasing power
- Franchisee Family
- Lower failure rate
- Ability to conduct unbiased research
- Disclosure
Popular Franchise Facts

- ~3,000 different franchisers operating today.
- ~900,000 franchise businesses across 300 business categories in the U.S.
- Provide nearly 18 million jobs and generate over $2.1 trillion to the economy.
- US Census - 10.5 percent of businesses with paid employees in the approximate 300 industries that franchising data was collected from in 2007.
- 4% of all small businesses in the USA are franchises.
- Franchise industry accounts for approximately 50% of all retail sales in the US.
- A new franchise business opens every 8 minutes of every business day.
- Approximately one out of every 12 businesses in the U.S. is a franchise business.

Source: IFA, 2015/2016
Franchised Business Starts (YoY growth)

Establishments Distribution by Sector 2015

- Retail Products & Services: 13%
- Retail Food: 8%
- Real Estate: 12%
- Quick Service Restaurants: 20%
- Table/Full Service Restaurants: 5%
- Automotive: 4%
- Business Services: 12%
- Commercial & Residential Services: 8%
- Lodging: 3%
- Personal Services: 15%

Notes:
- More than just food
- Sustained, Stable Growth
- ‘Great’ performance in a terrible time (08-09)

Source: eMarket Franchise-2015

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Franchised Business
YoY Productivity Growth

Output Distribution by Sector
2015

- Personal Services: 26% (January 2015 Forecast)
- Quick Service Restaurants: 7%
- Table/Full Service Restaurants: 5%
- Real Estate: 6%
- Retail Food: 5%
- Retail Products & Services: 6%
- Automotive: 11%
- Business Services: 19%
- Lodging: 10%
- Commercial & Residential Services: 6%

Output per Employee

On average, output per employee in franchise businesses is estimated to be $98,452 per worker in 2014 and is forecast to grow to $100,843 in 2015. This output-per-worker ratio varies within the 10 franchise business lines from a low of $59,040 (table/full service restaurants) to a high of $216,850 (automotive) in 2015.

Source: eMarket Franchise-2015
Who Buys Franchised Businesses?

THE CHANGING FACES OF FRANCHISING

FranNet has guided thousands of people over the years to their ideal franchise opportunity. Since 2011, FranNet has seen noticeable increases in certain demographics buying their own businesses, specifically women and younger adults.

25% Increase in ownership among WOMEN

Women represent nearly 25% of all franchise purchases through FranNet.

26% Increase in ownership among MEN

93% Increase in ownership among AGE 20-39

www.frannet.com
“Help Veterans Own Franchising Act” (HVOF)
- Establishes a tax credit for Vets to become franchise owners
- Allows a tax credit of 25% of the Franchise Fee to offset start-up costs

1 in 7 franchises are owned by Vets
- 66,000 Veteran owned franchises in the US provide 815,000 American jobs and generate $41B in GDP

Veteran success in Franchising is driven by:
- Outstanding leadership and teamwork skills
- Ability to implement and execute systems
- Franchises provide extensive training
- Franchises offer on-going business support

More information is available on the IFA’s VetFran Directory
- [http://www.franchise.org/Veteran-Franchise.aspx](http://www.franchise.org/Veteran-Franchise.aspx)
Typical Investment & Owner Models

Owner Operator Model
- Mostly Business to Business Concepts
- Home-based
- Primarily Consulting
- Fastest to Break-Even
- ‘You get what you put into it’

Executive Owner Model
- Service and Business to Business Concepts
- Home-based or light retail
- Handy Man, Restoration, Home Improvement, Staffing
- Equipment

<table>
<thead>
<tr>
<th>Average Initial Investment Range</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under $50,000</td>
<td>11%</td>
</tr>
<tr>
<td>$50,001 to $100,000</td>
<td>16%</td>
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<tr>
<td>$100,001 to $250,000</td>
<td>28%</td>
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<tr>
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<td>24%</td>
</tr>
<tr>
<td>Over $500,000</td>
<td>20%</td>
</tr>
</tbody>
</table>

*Sourced: February 2016 FRANdata

Semi-Absent Owner Retail Model
- Small-footprint retail
- 10hr/week, remote management
- Keep your job as you build
- Hair Care, Fitness, Health/Wellness
- Investment levels grow with multi-units
- Longest path to Break-Even

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Franchised Business Strength in MN

Top 5 state in

- Median household income*
- Dual household w/ adv degree*
- Dual household income*
- Women being main earner*
- FranNet ‘Belongers’ via our PFA^*
- Willingness to finance real estate with debt*

MN Has a Healthy Demographic for Small Business Ownership

Source - US Census Data
^ FranNet Data

www.frannet.com
Top Reasons MN People Buy a Franchised Business

- Desire to build something, but cannot figure out what
- Enable replacement of corporate America income while improving flexibility to be with children at key times
- Diversify income or setup adjacent income
- Desire to leave a legacy for children
- Setup an annuity income stream for later
- Job dissatisfaction, displacement or globalization creates unreasonable demands on people
Attributes of a Potential Franchise Owner

- Want a business but am not sure what to do
- Appreciates some structure
- Wants to build and duplicate vs. invent
- Strong leadership and Administrative skills
- Willing to follow a process
- Wants a more flexible schedule
- People who think that they want to buy an existing business but cannot because they don’t value the resale framework
- People who need capital to get into business
- People who want to create a business in an industry that is already franchised -> compare!

The FranNet PFA is a free survey that helps determine if Franchised Business Ownership is a good fit

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