

Potential Profits

FRANCHISES ARE EVERYWHERE IN CENTRAL FLORIDA. SUCCESS, THOUGH, ISN'T A SURE THING. HERE'S HOW TO IMPROVE THE ODDS.

BY KEVIN FRITZ

IF YOU'RE SITTING by your computer, type "franchising" into Google. You'll see about 2.1 million responses. If you try to whittle down the results and enter "franchise your business in Orlando," you will still get 1.7 million responses. For those who are not online right now, just take our word for it. It's another case of information overload.

Many of us already know what franchising means. Some companies seek to franchise their ideas, while others look to buy into an existing franchise. Yet, how do you go about it? Where do you even start? At best, it's an arduous task — and it's even harder if you don't know who to talk to or what to do first.

Well, it may well pay to find out.

That's because in Central Florida, we're sitting in the catbird's seat when it comes to franchising. A *National Geographic* article concerning growth in Orlando (March 2007 issue) noted, "Orlando glimmers with the familiar signage of franchise America: Denny's, Burger King, Quality Inn, Hampton Inn, Hertz. Orlando also leads in the culinary transformation of the exotic into the familiar."

Franchising in Central Florida is huge. For proof, just check out any well-traveled thoroughfare. Nonetheless, although it appears evident that franchising is more popular than ever, especially locally, many franchises fail because of poor operations. Business success is never quite as easy as it seems, and the same is true of franchising.

Fortunately, not only is Central Florida a hotbed for franchising, the region has more than its share of franchising specialists, too. These are either people who have made it big or people adept at showing others how.

Here's some of their insight:

BUYING A FRANCHISE

Sabrina A. Carter, president of Orlando-based In Power Consulting, works as a broker bringing franchisors (franchise sellers) and franchisees (franchise buyers) together. She specializes in everyday folks who want to buy into an existing franchise and matches them with the right franchisor — kind of like a dating game for entrepreneurs. Examples of her assistance

include work with franchises Booster Juice, Planet Beach and Entrees Made Easy.

"There are a lot of opportunities everywhere," Carter says. "Anywhere there are metropolitan areas and a lot of people, it is a bonus."

While the paperwork and funding applications can test your patience, the steps it takes to get your own franchise are neither mysterious nor overwhelming. Carter says you simply have to know what you're doing.

Have money to invest. While you can get into a franchise for an initial investment of \$10,000, the ones at that level are few and far between. The opportunities really start to open up at \$20,000, with \$35,000 or more upfront offering the best shot for the most potential.

Call a consulting firm or brokerage that specializes in franchising. Let's dispel one myth right here: There is no charge to work with someone like Carter. Such consultants are paid by franchisors to get the right match for their franchise. Carter says most franchisors work only through brokers these days and will not call you back directly. "They see it [using franchise consultants and brokers] as a huge benefit, because they don't have to weed through all the people."

Complete a full analysis with a consultant. Carter says this is the most important step in finding someone the best franchise. The analysis covers talents, educational level, income and personal information. The analysis will allow a broker to find out what may be available, based on background data, cash liquidity and net worth. Carter notes that net worth is important if you want the U.S. Small Business Administration to loan you up to 80 percent of your total project costs, including your franchise fee. In a typical franchise operation, the project may cost about \$250,000, which includes the buildout of the new facility.

Participate in the discovery process. Carter explains that this is the actual interview between the two parties to see if the franchise is indeed a fit. The franchisor is required to release a Uniform Franchise Offering Circular (UFOC), which shows the financial background of the franchise, its liabilities, any outstanding lawsuits,

and names of and contact information for other franchisees.

Expect a discovery day: This is when you meet the people at the company, sample the product and walk the

hallways. At this point, you either say yes, or you turn around and start over.

Carter warns that franchising is not a get-rich-quick scheme, a recurring theme expressed by

successful franchisors and franchisees. Franchisors want hands-on, hard-working entrepreneurs willing to build businesses. They also want to offer assistance, because franchisors have

as much of a vested interest as franchisees. If you don't contact them, they assume all is well.

"Having the humbleness to call will save so many headaches," she says.

SELLING A FRANCHISE

The other side of the coin is franchising your business. Paul Samson, founder and senior business developer for The Franchise Edge, says when it comes down to it, the key to franchising is all about conservation of capital and teaching of methodology.

He says two of the biggest reasons someone would want to franchise, as opposed to opening multiple locations, are liability and upfront costs. He says it costs more to open a new location than to get into a franchising program that results in residuals. Samson also believes franchising is a superior model to corporate-owned locations due to pride of ownership. He says franchise owners perform better than managers because they have a vested interest. They really want to own the business, he explains, but they don't have the recipes, the inventory or the marketing expertise. Franchisees benefit because franchisors help out with a bevy of value-added services, such as offering support — both physical and online — and handling advertising co-ops, branding, vendor negotiations and technical upgrades.

Samson breaks down the first steps a potential franchisor should take into three simple tasks:

- ▶ Get a consultation from a franchise expert.
- ▶ Get good legal advice.
- ▶ Find out if your business is "franchisable."

Franchisable?

"You know it's franchisable if someone comes into your place of business and says, 'I'd love to have one of these in my town,'"

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he explains. “Then it is probably a good franchise business.”

Samson says having a franchise consultant on your side will alleviate much of the time, pressure and error made by so many people who try to get into franchising. He says just trying to take care of the legal documents, especially the UFOC, is a bear in itself. He knows anyone can buy packages online that will allow them to franchise and fill out the required UFOC, but doing that doesn't mean they then have a working franchise.

SUCCESS STORIES IN THE MAKING

Samson says his company has set up an Equity Brands Division to build residual income, which means when it perceives a franchise opportunity as a match, it partners with the business and pays for development of the franchise in exchange for a percentage of the profits.

Enter Scott Schrope, who had a product that left Samson and his team with an insatiable thirst for the Eola Wine Co.

“The big dream was and is to be the Starbucks of wine,” concedes Schrope, who says his goal has always been to have multiple locations. Eola Wine Co., which opened its wine bar/store in downtown Orlando in 2001, serves 75 wines by the glass as well as 30 domestic and imported microbrewed beers, plus it offers more than 150 wines by the bottle.

Schrope said he first considered corporate-owned locations as his expansion vehicle. However, lessons learned during the past year and a half since opening his second location in Winter Park made franchising more appealing.

“The challenges of time and the finances needed to open corporate stores contributed heavily to that decision,” he comments.

Schrope agrees that franchising takes patience, and as with any business decision, you can't make it on a whim. He says there was a long period of researching the viability of the venture, as well as getting to know the people he would be partnering with in the venture. He adds that you must be sure all the contract

language and expectations are emphatically spelled out.

“Be positive and dream big, but don't be foolish,” Schrope advises. “There is much work ahead, and no doubt there will be many unforeseen challenges.”

In addition to the Eola Wine Co., The Franchise Edge has

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another local client that recently entered the world of franchising: Pizzeria Valdiano, owned by Joe Liguori.

Liguori got involved in franchising because of the demand by developers

for his concept of being near movie theaters throughout the state. Pizzeria Valdiano features more than 30 specialty pies, as well as staples like strombolis, salads, subs and pastries.

Liguori wanted to expand his business beyond his four locations — in Winter Park Village, Baldwin Park, Pointe Orlando and Lakeland — but he needed a new business plan.

“My resources are limited, financial and otherwise, and franchising allows us to partner with individuals who share our same vision for Pizzeria Valdiano,” he explains.

His No. 1 piece of advice is to be patient, reiterating the theme that franchising is a long process that requires numerous legal and operational details. He knows from experience that it’s easy to get discouraged, especially at the beginning. He says the process took about a year, from his introductory meeting to finally being able to start franchising.

Liguori agrees with Samson that those just looking to get rich are in for a hard fall. It is difficult work, he affirms, and as a franchisor you are accountable to your future franchisees for a myriad of services. “You will in many ways be their servant,” he says.

Finally, one of the keys to successful franchising, according to Liguori, is to set realistic goals and expectations. As such, the old “quality, not quantity” adage is particularly pertinent to this type of venture.

MADE IN THE SHADE

Ever see one of those lean-to types of giant shades hovering over playgrounds or parking areas and wonder: Just what the heck is that?

Well, technically, they’re custom-made tension membranes that allow light in, but absorb heat and protect you from the sun’s harmful ultraviolet rays. In essence, they’re a modern alternative to old-style awnings. The shades can be small, such as those at Images Car Wash in Orlando, or enormous, like the \$38 million “shade” at the Denver International Airport.

They’re also the product of one of the latest Orlando-based franchisors.

Joe McKenna, executive vice

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Sky Shades and Pizzeria Valdiano.

president of Sky Shades, says that noticing the shades throughout Australia while living there gave him the idea three years ago to bring them to the States.

At first, he just wanted to create a company with distributorships, but saw that franchising made the most sense. "It has become quite a variety of offerings these days," he says about franchising. "It used to be just Burger King or McDonald's, but now people have adopted franchising as a business model."

In April, he started advertising the sale of Sky Shades franchises, and in July, he held a seminar. That seminar led to Florida franchise sales in Destin and Jacksonville, as well as in Phoenix, Austin, Puerto Rico and Mexico. He went on to sell international franchises in Indonesia, the Philippines and Brunei. Sky Shades operates out of its world headquarters in Lake Mary and is co-owned by golfing legend Greg Norman.

McKenna attributes his early success to having a unique product to market. "We are not a typical food or cleaning business," he notes.

As McKenna continues to build his shade empire, and the owners of Eola Wine and Pizzeria Valdiano embark on their dreams, there's good news for others who want to get involved in franchising. Help is out there, and local success has been realized.



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WORDS TO REMEMBER

- ▶ This is not a get-rich-quick scheme. Franchisors want hands-on, hard-working entrepreneurs willing to build a business.
- ▶ Don't rely on the hype. Carter says she got involved with a franchisor because it was No. 1 in the top 500 franchises named by *Entrepreneur Magazine*. Unfortunately, just because they had sold a lot, didn't mean they were viable.

Sabrina A. Carter, In Power Consulting

- ▶ Do not try to complete the legal documents, especially the UFOC, online.
- ▶ Do not short-circuit the process in an effort to save money.
- ▶ Don't fall into the misconception that you don't pay yourself while setting up the franchise business plan. You wouldn't work for someone else for free, would you?

Paul Samson, The Franchise Edge

- ▶ Set realistic goals and expectations. You can open 100 stores across the country and 10 are winners. Or, just build 10 winners.
- ▶ Do stay focused and follow through. It can take thousands of dollars and months of advertising to sell that first franchise.
- ▶ Do be prepared with an advertising budget. You can easily expect to spend \$1,000 to \$5,000 a month just starting out. Set yourself up with a plan and a budget and see it through. People will not just come find you; you have to put your business in front of them.

Joe Liguori, Pizzeria Valdiano

- ▶ Do not make decisions on a whim. There is a long period of researching the viability of the venture.
- ▶ Be sure that contracts and expectations are spelled out to a T."

Scott Schrope, Eola Wine Co.



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