

SPECIAL EDITION

All About Franchising



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 eBook

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i **Tips for Buying a Franchise**

- Make a list of the 10 fastest growing franchises in the country.
- Look for existing franchise operations in your target area.
- Keep up with franchise news.
- Check the minimum amount of capital required to open a franchise. For example, Taco Bell is one of most expensive franchises to set up.
- Research the required operational process flow. For example, Quiznos has three people involved in preparing a sandwich, while Subway requires only one person.
- Research royalty fees charged by the franchise management and the advertising and marketing support they provide.
- Research the financial rankings of franchisors. Banks rank franchises from grade A to D. A higher grade means lower down payment, less paperwork and faster closing under SBA loan programs.

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Franchise Buyers Need Franchise Lawyers

By Joel Libava

Buying a franchise can be quite an emotionally-charged experience. We all like to think that we make fact-based decisions on all of our major purchases, (like houses and cars) but the reality is that our emotions play a huge part in our choices.

If you're getting close to a decision on becoming a franchise owner, congratulations; it takes a lot of courage to invest in a business of your own. I just want to make sure that you haven't missed something.

I'm assuming that you've received a copy of the Franchise Disclosure Document. (FDD)

From the Federal Trade Commission's, "Buying a Franchise: a Consumer Guide;"

"Under the Franchise Rule, which is enforced by the FTC, you must receive the document at least 14 days before you are asked to sign any contract or pay any money to the franchisor or an affiliate of the franchisor. You have the right to ask for—and get—a copy of the disclosure document once the franchisor has received your application and agreed to consider it. Indeed, you may want to get a copy of the franchisor's disclosure document before incurring any expenses to investigate the franchise offering."

FTC Consumer Guide

If you've been talking with a specific franchise company or two for a while, and you haven't received the financial disclosure document (FDD), call them and find out why.

Once you do get it, read through it, and highlight the things that you have questions about or don't understand. *(The copy is yours to keep, so you can write on it.)*

The FDD usually a couple hundred pages long,



The Franchise King[®]

The Franchise King[®], Joel Libava, provides advisory services for prospective franchise owners, and can be found online at <http://www.thefranchiseking.com>.

*Joel has also published his first book, *Become a Franchise Owner!* with detailed advice for aspiring business owners.*

and includes 23 items that pertain to the franchise offering. The FDD may be overwhelming, at first; there's lots of information to digest. You'll be using this information to help you decide on whether or not you want to move forward with the opportunity.

When it comes to understanding exactly what the information contained in the FDD means, as well as getting a handle on all of the legal intricacies contained in it, using the services of a competent franchise lawyer is always advised. *(In other words, I'm advising that you do this.)*

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ALL ABOUT FRANCHISING

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Caution; these days, it's very tempting to find cheaper ways of doing things. For example, if you're seriously considering franchise ownership, and you're looking for some legal guidance, don't call your Uncle Ralph, who was able to help you deal with your little fender-bender a couple of years ago, but never got around charging you for his time.

(Unless your Uncle happens to be a franchise attorney!)

The FDD also includes the actual franchise contract, which is usually 20+ pages long, and filled with head-scratching legalese. A franchise attorney can save you time, money, and future headaches, since he or she is used to reading, and possibly even writing, FDD's, and the franchise contract's that are included in them.

In summation, please remember that when you buy a franchise, you're also entering into a legal agreement, and it's important that you understand that agreement, fully. Engaging the services of a competent franchise attorney will go a long way in helping you reach your dream of owning your own franchise.



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Questions to Ask a Franchise Broker/Consultant Before You Work With Them

By Joel Libava

Franchise brokers and consultants are everywhere.

But are they all the same?

Of course not.

You should use experienced professionals that have real franchise experience...

Getting ethical, and professional assistance to help you find and purchase a franchise of your own can be a very wise choice! Using a franchise consultant-broker, if done right, can help you define what types of opportunities could be a nice fit for you. For those of you that are thinking about checking out some franchise opportunities, you will eventually run into so called “franchise brokers” or “franchise consultants”. Here are 10 must ask questions for you to ask them, before you decide to work with them....

The franchise industry has experienced a ton of growth in the past 5-6 years, and with it, a plethora

of so called franchise “brokers” and “consultants”, who can match you up to franchises, and then get paid a finder’s fee from the franchise companies for making a successful match. The executive recruiting model is very similar. However, just like not all executive recruiters are created equal, in the franchise brokering business, not all brokers are created equal.

{I am choosing to use the word broker here, but a franchise broker, and a franchise consultant are the same. The word broker, quite frankly is a shorter word, and hence, less typing is required}

Before you decide to use the services of a franchise broker, you need to ask them these 10 questions:

- 1 Exactly how long have you been a franchise broker?
- 2 What is your franchise experience?
- 3 How many articles on franchising have you been quoted in?
- 4 How many articles on franchising have you written?
- 5 Are you part of a franchise yourself? And if so, do you get paid a fee for referring folks to your franchise companies headquarters?
- 6 Can you give me a list of 20 people who are in franchised businesses of their own, directly as a result of working with you in your current role as a franchise consultant-broker?

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- 7 Can you give me the names of at least 3 franchise attorneys who know you, and who will vouch for your character?
- 8 Do you hold face to face meetings in your local market area, in addition to phone consultations nationwide?
- 9 Do you teach small business/franchise classes at local colleges, libraries and high schools?
- 10 Is this your only business, or is this an add on to another business of yours?

Some additional questions:

- 11 Did you used to be a franchise salesperson? *{If so, franchise sales is a lot different than franchise consulting}*
- 12 Do you have the courage to tell a prospective franchise owner that they need to go find a job, instead of investing in a franchise, because a franchise is not right for them?
- 13 Are you a former franchise owner? Recently sell your business? Now a franchise consultant-broker because you want something to do?

This list of questions is a good start for you, if you are considering working with a franchise broker/consultant. Here are a couple of things to really key in on, when selecting someone to help you with the process of franchise selection:

Final question to ask. (Yourself!)

Is this broker new? Do you really want to risk \$100,000-\$300,000 of your own money with a broker who is learning the franchise consulting business at the same time you are?

So many questions...So many brokers...

Find out who they really are! Use their services only after talking to people that have worked with this person, and actually helped them! Best of luck in your quest!

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Franchise Financing



Finding Funding Was Sweet for Nisha Khanna When She Used Biz2Credit

By Susan Bonnell

It was the fall of 2009, entrepreneur and small-business owner Nisha Khanna had purchased a Sweet & Sassy franchise and needed start-up capital. She started calling banks, four of them to be exact. Not one would even meet with her.

Khanna explains:

“I had the backing of the franchise, an excellent credit score, a solid business plan and they wouldn’t even discuss options. I was considered a start-up, and the answer was no. I gave up and contacted Biz2Credit.”

Sweet & Sassy is a proven national franchise, offering salon and spa services to children. More than that, though, it’s a celebration destination. The store offers high-end children’s theme parties, spa packages, and a retail shopping experience.

With documentation supporting the strength of the business model, Khanna reached out to Biz2Credit after receiving a referral from a family friend who had used Biz2Credit to secure financing. She was impressed with the ease of the Biz2Credit application process and delighted with the results. Biz2Credit matched Khanna with RomAsia Bank in Monmouth Junction, NJ, which granted her their first ever SBA loan.

Khanna received \$300,000 in start-up capital. She was able to secure the shop’s location, build its interior, purchase inventory and obtain training for herself and her staff. She successfully opened Sweet & Sassy in The Shoppes at Old Bridge located on Route 9 in Old Bridge, NJ, in fall of 2010.

“Biz2Credit made it possible for me to open the shop. They are very easy to work with, the process is seamless.

They found the right bank for me,” explains Khanna. “Now, business is booming. I am grateful for my experience with Biz2Credit.”

To hear Nisha Khanna tell the story in her own words, watch this video: <http://www.youtube.com/watch?v=uuMUS0kqTkg>





Johnny Rockets Sports Lounge Kicked Off with an SBA Loan Arranged by Biz2Credit

By Susan Bonnell

Ray Vasquez, an entrepreneur with more than 10 years plus experience in the food industry, approached Biz2Credit to help secure a start-up loan for a Johnny Rockets franchise in NYC. Vasquez wanted to open the first Johnny Rockets in the country with a sports bar and multi-floor facility.

“I tried to procure funding for my idea, but every bank I approached rejected me for startup financing,” said Ray Vasquez. “Even though my family had a 20-plus year relationship with Citibank and Chase, they gave us the runaround. They made all sorts of promises, asked for tons of paperwork and then made us wait, and wait, and wait. And they still didn’t give us any money,” explained the Johnny Rockets franchisee, “but Biz2Credit helped me secure over \$900,000 in start-up funding within weeks.”

Because of the unique concept of integrating a sports bar with a traditional Johnny Rockets restaurant, construction costs far exceeded regular cost projections. However, Vasquez felt strongly that the addition of the sports bar would attract the very desirable 21-40 year old male demographic. The corporate arm of Johnny Rockets embraced the concept and encouraged him to follow through on his plan. On the recommendation of his attorney, he turned to Biz2Credit.

Vasquez was immediately impressed with the Biz2Credit process. “These guys worked magic. There was no run-around, no false promises. They had a game plan and a backup plan. I really respected that. They worked hard for me,” explained Vasquez.

Biz2Credit analyzed personal tax returns, financial statements, and the experience of the entrepreneur and concluded that since Johnny Rockets is part of the SBA-approved franchisee registry, Vasquez would best qualify for a SBA 7 (a) start-up loan. Initially, because of the tough credit environment and the fact that the borrower had no real estate collateral, the deal was challenging to fund. However, in less than two months, Biz2Credit

shortlisted and negotiated with New Bank, a small bank headquartered in Flushing, NY, for \$900,000 in loans.

Result: the Johnny Rockets franchisee was able to secure a 25-year loan at 6% and an initial working capital line to a tune of \$300,000. Additionally, he received a line of credit at U.S. prime plus 1 (4.25%) for a term of 5 years with no upfront costs. The business has also been set up for further increases in working credit line every 6 months and has created 12 new jobs in upper Manhattan since opening in December 2009.

“It took a little time for people to realize they could stay downstairs with their family for the original Johnny Rockets, or come upstairs and have a drink with their burger. People like having the option,” said Vasquez.

In keeping with his regional franchise agreement, Vasquez is currently seeking a location to open a second Johnny Rockets Restaurant and Sports Bar. “There’s no question, we will call on Biz2Credit to help us arrange this funding, too,” Vasquez said.

