



INDIVIDUALS. IDEAS. INFORMATION. on FRANCHISING

franchising first steps

10 INGREDIENTS FOR A SUCCESSFUL FRANCHISE BUSINESS

BY JEANINE GAJEWSKI

Soon after opening their first business together in Baltimore in 2002, partners Tony Bonacuse and Peter Ross wanted to see if they could replicate their success – maybe hundreds of times over. Perhaps their concept – Senior Helpers – was one they could franchise.

“I opened up my own location in Southern California to test if it could work outside Baltimore,” Ross says. “And by August 2005, we began to franchise.” Today, Senior Helpers has more than 170 franchise units nationwide.

“Franchising is taking an idea that works well in one location and being able to replicate that in another,” Ross says. “And we were able to do that, and then some.”

Ross attributes the success of his franchise business to 10 strategies that he and his business partner instituted before the launch of the first franchise, advice that they continue to follow today.

1. INVEST IN EDUCATION

“Business success does not equal franchise success,” Ross says. Therefore, the team sought out expert consultants, including enlisting the services of a well-respected franchise law firm. “That cost us more money than downloading it off the Web, but I would tell people that you need to invest in that,” Ross says. “You have to build it from the start. Don’t just try to wing it.”

2. CHANGE THE STATUS QUO

Ross says he spent three to four years researching the senior care industry to understand what was being done right, but more importantly, what aspects his company could improve upon. “We wanted to be not only different, but better,” he says.

3. CLEARLY DEFINE YOUR MISSION AND VISION

It is not enough to have a clear vision for your company; you must constantly communicate that vision to your franchisees. “We let our franchisees know what we are trying to do,” Ross says. “Our goal is to provide an exceptional experience for all of our stakeholders, including our franchise owners.”

4. TALK ABOUT YOUR STRENGTHS

Don’t run a negative campaign against the competition. “I think the world of our competitors, but what we try to focus on is what makes us different, not better or worse,” Ross says. “It is very easy to get into the mudslinging.”

5. FOCUS ON QUALITY NOT QUANTITY

“We could have probably sold more franchises initially, but we wanted to make sure our infrastructure was correct,” Ross says. “Once you have that quality, the quantity will follow.” Instead of having the highest number of franchise units, Ross’ company emphasizes revenue potential for franchisees. “I don’t have a problem with one of our competitors having more units. I just want to have more revenue,” Ross says.

6. USE TECHNOLOGY

Although investing in technology is a big upfront cost, Ross says the expenditure

Franchise Q&A: Mike McDevitt, CEO, Medifast



Q: How did you know it was the right time to franchise your business?

A: I’d say that two things occurred for us to be ready for our franchise model. First, I think the most important thing is being certain that you’ve proven the model of the business in a corporate setting – you have to understand your business better than you ever could imagine. The second thing is that opportunity came knocking. When several other weight-loss clinics were having some financial issues, franchisees of the competition found themselves out of a home. We were able to pick up where they had left off.

Q: How is running a franchise business different than running a business based on the corporate model?

A: It is a completely different business model and a different mindset in a sense that your job now is to provide an environment for others to be successful, whereas before, you’ve focused on yourself becoming successful in that model.

Q: What advice do you have for other CEOs who are considering franchising?

A: The first thing about franchising that attracts CEOs is the massive dollar potential that you can see in your mind. It is so much quicker to expand your model that sometimes you can be blinded by the potential growth. But don’t forget that that growth comes with much, much work. If you don’t know your business to a T, so you can duplicate that, then you aren’t ready for franchising.

A COMPANY OF OWNERS



“I think the challenge is to get everyone who buys a franchise on the same page. We have an annual meeting. I do internal monthly newsletters and provide lots of encouragement with examples. But you know, these people own their own businesses. We basically give them ‘how-to’ every step of the way, but you can’t force them.”

Fran Lessans, president and CEO, Passport Health

Franchise Q&A: Michael Teitelbaum, president, TruePresence



Q: What makes a successful franchise?

A: Key to franchising success is not only having the systems, but the individuals to train and support the franchise owners on an ongoing basis. Franchisees want to buy into a proven process.

Q: Why choose franchising over a corporate model?

A: Every company looking to expand should be thinking about that question. There are two reasons why we chose franchising. First, all things being equal, when attracting people into the business, we are going to get the highest caliber person when they have the opportunity to own their own business as opposed to being an employee. The second part is, they are not only truly vested in their own business success, but of the company at large. The first time they have a bad day, they aren't going to start checking out the help-wanted sections for a new job. They've made the commitment, as we have, to realized this vision of building this brand.

Q: What is one of the biggest challenges in running a franchise business?

A: It starts with the discipline of awarding franchises only to the most qualified individuals. We get over 100 candidates per month looking at our franchise opportunity. When someone says, "Yes, I want to get involved and here's my franchise fee," it takes a lot of discipline to say thanks, but no thanks. It's very tempting, but if you take that check, there is only misery to follow. If you are doing your job right as a franchisor, you now have to put more time and money into supporting someone who has little chance of success.

is essential. "I think sometimes franchisors don't want to spend a lot of money internally because you want to keep as much of the fees as you can," he says. "I think that's not the right way to do it. So we provide software and technology to our franchisees as part of their fee to enable them to focus on the business."

7. INVEST IN THE INFRASTRUCTURE

Ross recommends investing in systems and staff at least six months before you will need them. "In a growing organization, it is easy to wait because any time you hire someone it costs you money," he says. "We hire ahead of the curve because we know there is a ramp-up time and there are always surprises in the process."

8. STAY FOCUSED ON THE CRITICAL FEW

As in any business, franchisors will be faced with many business opportunities and decisions that threaten to pull them away from their core offerings. "If it is not something that is going to be one of those critical few things, then we put it on the back burner," Ross says. "A lot of our competitors get into selling ancillary services, and yes, it will make money, but it loses focus on the critical part of the business."

9. THINK LIKE A FRANCHISEE

Ross says that while it is often difficult to admit that franchisees might have a better idea than the franchisors, it is critical to view the business through their eyes. "We could cover in the corner and say things are good, but franchisees are not going to want to just listen to me. It is important for other owners to give you honest feedback," Ross says.

10. NEVER EMBRACE SUCCESS

"You always have to keep your edge," says Ross, adding that as the 11th child in his family, he knows the value of staying sharp. "If you start counting all your awards, you lose your edge, and you won't be striving for excellence."

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