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Building a Franchise

--by Aliza Pilar Sherman

You've got a great business idea or a thriving business, but how do you turn it into a franchise? These women business owners explain how they did it, and an expert adds his advice.

After Shelly Sun and her husband were unable to access dependable, loving home care services for her husband's grandmother, she started a company to provide this service to others.

"Our original business plan had that we would grow eventually - within 5 years - through franchising or joint venture partnerships in key markets across the country," says Sun, CEO of BrightStar Healthcare based in Gurnee, Illinois, adding that it was critical to have local ownership. "Our services are so intimate and personal that having an owner who is actively involved in the community and passionate about his/her business is essential to ensure the services are of the highest quality and rendered with the best service."

Sun connected with franchising consultants through her panel of advisors on her Athena Powerlink advisory panel provided to her by the Chicagoland Entrepreneurial Center. She signed up for franchising conferences and began the process to become a Certified Franchise Executive.

"People in the franchising industry were very willing to help, mentor and share advice and best practices," says Sun.

Selecting franchisees was a challenging process, explains Sun, because the long-term success of her entire franchise depended on the people running the franchises.

"We didn't know the profile of an ideal franchisee when we first started and made selection mistakes," Sun admits. "We now bring every prospective franchisee into our business for two days to ensure they have the skills and fit our culture before awarding a franchise."

Having a franchise allows Sun to build strategic business alliances with insurance companies, employee assistance programs, national labs and nursing home chains because of the national network her company has established. The company also benefits from good ideas that come directly from franchisees such as their post-op/pre-op program and sitter service.

Bette Fetter founded Young Rembrandts, Inc. in response to a need for drawing classes.

"There were many extracurricular offerings for young children, and an abundance of athletic opportunities, but no art or drawing classes," says Fetter. "As I worked with my young students, I realized there were great opportunities to change the way art was taught and bring the students to unexpected levels of competency."

Her initial eight students grew to 28, 200, then 2,000 in the Chicago suburban area. Fetter never envisioned a franchise company, even as the company grew. After her own children were in high school, she and her husband decided it was time to expand the business. She had researched franchising years earlier and by then knew it was the model they wanted to use to expand nationally and even internationally.

Fetter worked with a franchise consultant in Minnesota, going with someone who matched their needs - taking their product and service with a track record and helping them determine the parameters of the franchise agreement.

Financing was a significant challenge, says Fetter.

"We used the proceeds from our existing business in the Chicago area to fund our franchise start up costs," Fetter explains. "We continued to supplement the franchise company until our royalty stream became large enough to cover expenses."

Having key people in the company who stayed on once they franchised was a major boon.

Says Fetter, "Once you franchise, you are still in your original business. But you are also in the franchise business. Our key people know the core business extremely well and have learned a great deal about the franchise industry."

Fetter brings in business experts and consultants in different areas of business to help her team develop systems and strategies to continue to grow.

One reason Fetter wanted to franchise was to be in business with people who owned part of the business. "When a person has a vested interest in what they do the level of play is higher and the commitment to excellence and achievement is there...Bringing in franchisees with strong business experience also brings more skill, ideas and depth of knowledge to the Young Rembrandts franchise system."

Bill Wagner, author of *The Entrepreneur Next Door* (Entrepreneur Press) believes that franchising is an ideal business model when your product, service or system is scalable or can be duplicated.

Says Wagner, "Franchising is not a "get-rich-quick" scheme. It does require a high level of business acumen, capital and organization. This really begs the question, which is, 'Who is opening all of these franchises?' According to the Kauffman Foundation and their recent study of emerging entrepreneurs, the answer is women and more often, minority women."

Some questions Wagner suggests asking yourself before considering franchising include: 1) Is the concept marketable? 2) Is it scalable? 3) Who is the market - both customers and prospective franchisees? 4) Do you have the necessary capital? 5) Do you have access to the right people for your corporate staff?

"(You) can overcome (potential) pitfalls of franchising through planning, research, access to capital and by surrounding (yourself) with absolutely awesome, creative and dedicated people," says Wagner.

Fetter advises that you should connect with strong franchise professionals. "Secure a strong attorney with your interests in mind. Join the International Franchise Association (IFA) as soon as possible. The IFA is a remarkable organization with a wealth of resources and a mission to expand and share knowledge on franchising across industries."

Says Sun, "Ensure you are well capitalized. The legal and filing costs are very expensive and are often underestimated. Franchising is a business that you cannot win in the short-term, so you must be well capitalized to build infrastructure early before you have the royalty income to offset those costs."

Aliza Pilar Sherman is a Web pioneer, marketing and business expert specializing in women's business issues and author of "PowerTools for Women in Business: 10 Ways to Succeed in Life and Work."