Winning the Franchise Prize

By Toddi Gutner

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Interested in becoming a franchise owner? Get ready for some competition. There's been a surge in applications — from laid-off executives to military personnel who've returned home — thanks to the economic downturn.

Many entrepreneurs love the challenge of owning their own businesses, yet are drawn to owning franchises because of the security that comes from tapping into an existing, recognizable consumer brand.

Owning a franchise is like "going into business for yourself, but not by yourself," says Alisa Harrison, vice president of communications for the International Franchise Association.

It's a win-win business model for both franchisor and franchisee — if the franchisee understands the investment. Companies grow more quickly in exchange for providing entrepreneurs with training, marketing support and established business systems. But entrepreneurs pay an initial franchise fee — anywhere from $5,000 to $2 million (McDonald's), averaging from $100,000 to $200,000 — and additional royalty fees. They also shoulder all the other costs of running a business.

So what does it take to find the right business for you and win the franchise deal? We asked two successful franchise owners how they did it.

Jeff Bolen: DoodyCalls in Columbia, South Carolina

"I found this opportunity from a real-world problem. I owned two dogs, had two kids, and my wife said she couldn't use the backyard anymore.

"It turns out I had read an article about a guy who found money in dog poop. So I submitted an online inquiry to DoodyCalls, a pet waste removal service, and one of their competitors. DoodyCalls responded the next day with a brief [telephone] conversation to gauge my interest. A more informative phone call followed. Then they e-mailed me an application with questions like, Why do you see yourself as a good owner? How can you make it succeed? Do you think it will happen overnight?

"There were about five phone calls over a month and a half; each gave me more insight into the company. They were filtering out those who wouldn't be a good fit — there were two candidates [in my area]. I think they base their selection on what your past work ethic is and what you've been able to do in business, though not necessarily in the pet industry.

"Then I went to corporate headquarters for a one-day meeting with the owners. That was when I had to deliver the final push as to why I can make this succeed. Within two days, they had asked me to put up the money — a $34,500 franchise fee and ongoing royalties of 9 percent. I never let anything slip and responded as quickly as possible. There really is [a lot of] time involved, but you need to stay on top of the process.

Jack Nicol: BrightStar Care in Jupiter, Florida

"[My wife, Diane, and I] ran a manufacturing business for 27 years and sold it in 2006 — we had accumulated enough cash to retire, but lost some in the stock market downturn. So, we could either burn through our money, or we could be proactive and build another business.

"We started off by going to a franchise show in Miami Beach and working with a coach who introduced us to six or eight opportunities. Then, we were introduced to BrightStar, a newborn and elderly care service.

"We were impressed with the screening process — 41 days with seven different steps, including daily questions about your business sense. They had to be satisfied with the answers at each step for you to make it to the next one. They also gave us a psychological quiz, in addition to the resume we sent to prove our net worth.

"If you get through this process, you're invited to Chicago to meet management.

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We spent three days in Chicago where we asked lots of questions, toured the corporate offices, and talked to people in training.

“BrightStar told us there were other people looking to buy the same South Florida territory, so we sped our application along. They were 100 percent convinced that we were a good fit — we had over 40 years of business experience and could financially support the effort until it could support itself. We signed the contract and bought an area comprised of a number of ZIP codes.

“Looking back, we probably underestimated the business startup time and the challenge of learning an entirely new industry. We’re glad we made the decision, though, since we love doing what we’re doing."

Tips from successful franchise owners:

- Research and explore all opportunities, including competitors.

- Be patient and expect to invest time and money. It is an established brand, but you are not buying a customer base.

- Have an open mind and know what to expect. You are the cog in the wheel that has to make it go.

- Go with the franchisor that makes you feel best.

Toddi Gutner is an award-winning journalist, writer and editor and currently a contributing writer covering personal finance for Reuters.

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