



**Introduction to  
Franchising and  
Franchise.city**



## **A BIT ABOUT US.....**

- Franchise.city is a full serve franchise brokerage firm working under contract with over 500 of the Nations top franchise brands. We specialize in Sales Based Franchising, International Franchising, E-2 Visa procurement through Franchise investment and General Consulting.
- We help connect top performing franchise brands with the most suited prospective franchise owners.
- We provide valuable free resources to help identify, research and invest in your ideal franchise.
- The vast majority of franchise companies we work with are award winning, high success brands with long histories of overachievement. By matching quality franchise opportunities with exceptional, well suited candidates both franchise and franchisee/owners share in mutual success.
- There are no fees for you, our candidates as we are compensated by way of a referral fee from the franchise companies. Your franchise will not cost more using our service.

# What is Franchising?

- Franchising is a type of license that the franchisee acquires that provides access to a the franchisors proprietary knowledge, processes and trademarks.
- Franchising is a business strategy for getting and keeping customers. It is a marketing system for creating an image in the minds of current and future customers showing how the company's products and services can help them. It is a method for distributing products and services that satisfy customer needs.

Franchising is a network of interdependent business relationships that allows a number of people to share:

- A brand identification
- A successful method of doing business
- A proven marketing and distribution system

In short, franchising is a strategic alliance between groups of people who have specific relationships and responsibilities with a common goal to dominate markets, i.e., to get and keep more customers than their competitors.



# Advantages of Owning a Franchise



## Advantages

- Owning a franchise allows you to go into business for yourself but not by yourself.
- A franchise provides an established product or service which has brand recognition.
- A franchise provides a proven successful business model
- A franchise can offer the consumer an assurance of a certain level of quality and consistency
- A franchise can offer valuable start-up support including site selection, construction and design, owner and staff training, logo and marketing materials and a proven grand-opening program.
- A franchise can offer ongoing support including general business mentoring, national and regional advertising, bulk buying power and market research and development.

# Reasons to Buy a Franchise

## Turnkey Business

There are many entrepreneurs that have exactly what it takes to run a successful business however don't have what it takes to get their business up and running. Whether it be financing, negotiating lease terms or even just the confidence it takes to quit their job and start their own business, franchising can make the transition easier.

## Buying a franchise can eliminate much of the initial hard work:

- Branding
- Supplier Sourcing
- Sales & Marketing
- Operational Processes
- Business Strategy

## System in Place

- When you buy a franchise you buy a system. All franchises have an already-established system in place that franchisees follow.
- These systems are designed to improve the overall productivity and increase sales of each franchise.
- Having a proven system already in place eliminates the guesswork and errors a start up business owner would face.



## Reasons to Buy a Franchise cont'd

### **Training**

- Most franchise companies offer a 1-4 week training program that is usually held at their corporate offices or at an actual franchise location.
- This is what makes franchises stand out from every other business or business opportunity.
- The franchisor will train you to run your franchise exactly the same way their other successful franchise locations are run.
- This will ensure that you are running your business efficiently and will help to eliminate any common mistakes a new business owner usually faces.

### **Ongoing Support**

- When you buy a franchise you are provided ongoing support from your Franchisor.
- You should always be able to pick up the phone and ask questions of the franchisor or even call other franchisees when appropriate.

### **Marketing**

- There should be a refined client acquisition and marketing program in place.
- Most brands will have a National advertising campaign into which all franchisees contribute. Often they will also provide a local marketing outline for you to follow and specific vendors that will provide effective advertising venues.



## Reasons to Buy a Franchise Cont'd

### **Exclusive Territory**

- When you buy a franchise you are also usually buying an exclusive territory in which to do business.
- Franchisors will generally only allow a certain amount of franchises to be open within a specific geographical region.
- You will be entitled to a certain area and no other franchises (within your franchise system) can be open within that area.

### **Own Multiple Locations**

- Being a part of a franchise will often provide opportunities to grow within the system.
- Once you have become a successful unit franchise owner the next logical step is to become a multi-unit franchise owner. After you have one successful franchise open with a great management team in place you can focus time on opening a second location.
- Multi-unit franchise owners manage more than one location and are often able to double their income by taking on more than one location.
- Owning multiple franchise locations can be very lucrative.



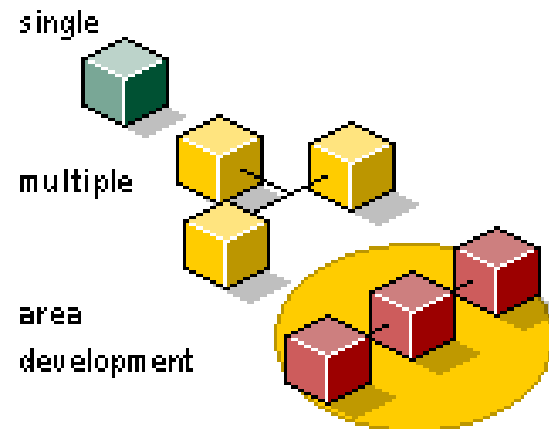
# Types of Franchise Arrangements

- There are 4 basic types of franchise agreements: Single-unit, multi-unit, area development and master franchising.
- **A single-unit franchise** is the most common and is simply where a franchisor grants a franchisee rights to open and operate one single franchise unit.
- **A multi-unit franchise** is where a franchisor grants a franchisee rights to open more than one franchise unit.
- **An area development agreement** allows a franchisee the rights to open multiple units over an agreed amount of time within a specified geographic location and / or to own rights to their specific territory and earn money on each franchise sold in their territory through sharing of the franchise fee and ongoing royalties.
- **A master franchise agreement** also referred to as sub-franchising, gives a franchisee the same rights as an area development agreement but also gives that franchisee rights to sell franchises to other people within the territory. A master franchisee assumes many of the tasks and obligations of the franchisor such as training and support and receives a portion of the franchise fee and royalties. While technically there are significant differences you will find that master franchising and area development are used interchangeably.

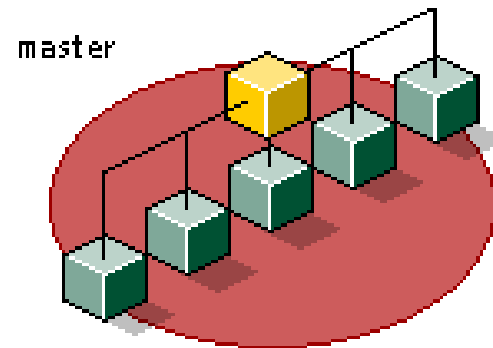


# Franchise Types

- **Single Unit Franchise**
- **Multiple Units**
- **Area Developer**



- **Master Franchise**



# 20 Steps.

## From Prospect to Franchise Owner

1. Sign Broker Agreement & Accountability Sheet
2. Broker Consultation
3. Analyze Business Goals
4. Analyze current financial position and future goals.
5. Explore Types of Franchises
6. Identify "best fits"
7. Research Applicable Franchises
8. Obtain Franchise Packet & FDD
9. Return Receipt of FDD
10. Speak in-depth with Franchise
11. Interview Existing Franchisees (Validation)
11. Second Interview with Franchise
12. Consult with Attorney & Accountant
13. Visit Franchise Headquarters
14. Enter Into Franchise Agreement
15. Obtain Real Estate (if applicable)
16. Franchise Initial Training
17. Complete Construction (if applicable)
18. Training
19. Open For Business
20. On-Going Support



# Franchise Terms

- **Acknowledgement Of Receipt:** The last page of an FDD (Franchise Disclosure Document), signed to indicate you received the documents on a certain date.
- **Advertising Fee:** A fee paid by the franchisee to the franchisor for corporate advertising expenditures; It is often less than three percent of the franchisee's annual sales and typically paid in addition to the royalty fee.
- **Capital Required:** The amount of cash you are required to have available.
- **Earnings Claims:** Representations made by franchise companies that their franchisees have achieved specific levels of sales or profitability. Indicated as "Item 19" in the FDD.
- **Territory:** The "territory" granted to you by a franchise company, which restricts the franchisor from establishing any other franchise or company store within your area.
- **Franchisor or "Zor":** The person or company that owns or controls the right to grant franchises for a specific "brand".
- **Conversion:** Owners that convert their existing independent business into a franchise.
- **FTC Rule 436/437:** The law passed in 1979 that regulates the franchise industry, and sets the requirement for disclosure.
- **Initial Investment:** Generally, the initial cash investment required of you to buy and open a franchise. This can include the franchise fee and other initial start-up costs and expenses you may incur, but may not be reflective of your total investment.

## Common Franchise Terms Cont'd.

- **Registration States:** Fifteen states require franchisors to register their FDDs with a state agency before they are legally allowed to sell franchises within that state.
- **Company-owned units:** Franchises that are owned and run by the parent company (the franchisor), rather than by franchisees.
- **Master Franchise:** A master franchisee in essence becomes a franchisor in for a specific territory. Master franchisees will award new franchisees in their territory, provide support to their franchisees and in return and receive a portion of the territory's royalties and usually franchise fees.
- **Area Developer:** An area developer agrees to open a certain number of franchise units in a large territory within a specified time period. They may open and operate the units themselves or recruit other franchisees to open them.
- **Absentee ownership: (AKA Passive Business Model)** Offered by some franchisors this operational model permits and investor to own a franchise without being actively involved in its day-to-day operations.
- **Liquid Capital:** Also known as, liquid assets, quick assets, and realizable assets. Assets held in cash or in something that can be readily turned into cash.
- **Net Worth:** Total assets less your total liabilities.
- **Non-Compete Clause:** Certain franchise contracts prohibit franchisees from competing with the franchised company - even beyond the date of termination.

# Parts of the Franchise Disclosure Document

1. Description of the franchisor, predecessors and affiliates
  2. Identity and business experience of officers and directors
  3. Litigation history
  4. Bankruptcy history
  5. Initial franchise fee
  6. Additional costs and fees
  7. Initial investment
  8. Restrictions on sources of products & services
  9. Franchisee's Obligations
  10. Financing arrangements for franchisees
  11. Franchisor's obligations
  12. Territorial protection
  13. Trademarks, service marks and trade names
  14. Patents, copyrights & proprietary information
  15. Franchisee requirement to operate the business
  16. Restrictions on sale of goods and services
  17. Renewal, termination, transfer and dispute resolution of the franchise
  18. Endorsements by public figures
  19. Earnings claims
  20. Names, addresses, and telephone numbers of current and former franchisees
  21. Financial statements
  22. Contracts and agreements
  23. Receipt
- Exhibits
- A. Franchise Agreement
  - B. Equipment Lease
  - C. Premise Lease
  - D. Loan Agreement
  - E. others

# Financial Resources

- ▣ Traditional Lending (Bank loan, HELOC)
- ▣ SBA Loans
- ▣ 401k Rollovers

Arranging suitable financing is a key component of your franchising strategy. Speak with your Broker for details



# Next Steps

**Speak With Us!**



Jerry Rieder



Jeff Lutz



Joe Fedorchuk



Pam Currie



Rob Edwards



Sandra Jimmerskog

Franchise.city consultants can assist you in identifying, researching And investing in your ideal franchise

Our consultants are not only experienced franchise experts, but also successful business owners themselves. You can rely on real world input and guidance throughout the process

Learn more about us at <http://www.Franchise.city> or contact us today at 1-800-432-1583

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