

## Chapter 3:

### QUIZ: Choosing the Best Franchise Structure for You

Answer the following 3 questions to narrow down the kind of business model that best suits your entrepreneurship objectives:

1. What level of engagement do you want to have in your business during your initial years of ownership? (Circle one.)
  - A. I want a hands-on role in my business, dealing directly with customers in my facility and/or doing work myself on a day-to-day basis.
  - B. I want to build a base of customers who rely on a service my company provides. I prefer to focus on developing a unique and valuable service and not on the challenges of building out, maintaining, and managing a staffed facility.
  - C. I want to have an active role as the owner of my business, but I want to run it, not labor in it. I want to focus on direction and policies, hiring, development, and growth.
  - D. I want to help others invest in the right franchise and support them as they launch their businesses. I'd like to serve in a leadership and development role for a large geographic area.
  
2. What kind of interaction do you want to have with the customers of your franchised business? (Circle one.)
  - A. I want my business to have a fixed location and for customers to come to me.
  - B. I want to actively seek out customers and bring my service or product to them.
  - C. I want to hire capable management and employees to deal directly with customers on my behalf.
  - D. I want to help expand my franchise of choice through interaction with other potential franchise owners, but I do not have a strong preference for the way the actual units interact with their customers.

3. In the long term, what kind of growth do envision for your franchised business? (Circle one.)
- A. I want to have a strong, successful single franchise unit in a fixed location. If I choose to expand in the future, I will do so by adding facilities and will likely do so only to the extent that I can have a hands-on role in each unit.
  - B. I want to grow my business by serving a larger territory through adding skilled employees, crews, vehicles, and supplies, but not necessarily by building additional or multiple facilities.
  - C. I want to control a number of facilities or a large territory and hire skilled management as needed to run day-to-day operations. I want to focus on growth, expansion and improving all aspects of my franchise units through smart hiring.
  - D. I want to take on a number of units or an entire territory for my chosen franchisor and then help to recruit and support successful franchisees to deliver the franchisor's product or service within that territory.

***Now look back at your answers.***

**If you answered A to more than one question,** you are likely to find a suitable match for your preferences as the owner/operator of a facility-based business, like a large retail or light retail operation. You might also consider a service-based business, which may or may not require a fixed base of operations outside your home. You are most likely looking at investing in a single location or territory, but don't automatically rule out a strategic investment that locks up additional territory for you to develop in the long run. Doing so can sometimes help you get a substantial discount on your franchise fees.

**If you answered B to more than one question,** you might want to explore the possibility of investing in a service-based franchise concept. Many home maintenance, business consultation, home health and other franchise concepts fall into this category. Service-based franchises often require a lesser initial investment and allow for a flexible owner schedule, but they pose unique start-up challenges as owners try to find and connect with potential customers.

**If you answered C to more than one question,** you may be best suited to an executive role in the franchise concept you invest in. Executive owners tend to work more *on* the business than *in* the business, focusing more on high-level decisions, savvy hiring, and growth than on the day-to-day operations of each unit.

**If you answered D to more than one question,** you are likely to find the kind of investment you seek as an area developer or master franchisee. This level of franchising involves purchasing the rights to develop a franchise concept in large area, and then working as an independent agent of the franchisor to help them expand through that area. Master franchise opportunities are more difficult to come by than single unit investments, and they require a substantial initial investment. However, as you develop your area, these franchise arrangements can create multiple streams of revenue

**Want to learn more about franchise structures and how they suit your needs?**

*Let's talk about it.*

**E-mail me at \_\_\_\_\_ or call \_\_\_\_\_.**

**Pete Gilfillan**

**Franchise Consultant and Author of *HIRE YOURSELF***

### Chapter 3:

#### **WORKSHEET: How Franchising Pays You: Job Value vs. Franchise Ownership Value**

As a business owner, you set your own salary, based on the needs of the company and the income it generates. Stepping away from a pre-determined corporate salary can be a difficult leap—especially during the first year when some franchise owners draw low or no salaries. Over time, though, not only do most owners draw a salary, but many well-run franchise businesses become significant assets.

Below, you'll find 2 charts. The first is a sample projection of franchising income and asset growth for a hypothetical single-unit retail investment. The second is a blank form to use for your own projections based on your income, estimated incomes for a franchise unit, and the value of established franchises for sale.

<b>Building Your Franchise Asset: Comparing Corporate Income and Franchise Value</b>		
	<b>Corporate Executive Salary</b>	<b>Franchise Income and Asset Value</b>
Year 1	\$100,000 Salary	\$0 Salary
Year 2	\$103,000 Salary	\$50,000 Salary
Year 3	\$106,000 Salary	\$100,000 Salary
Year 4	\$109,000 Salary	\$125,000 Salary
Year 5	\$112,000 Salary	\$150,000 Salary
5-Year Salary Total:	\$530,000	\$425,000
5-Year Asset Check:	\$0 asset value of job	\$450,000 asset value of franchise
Total Value	\$530,000	\$875,000

<b>Building Your Franchise Asset: Comparing Corporate Income and Franchise Value</b>		
	<b>Corporate Executive Salary</b>	<b>Franchise Income and Asset Value</b>
Year 1	\$ (current salary)	\$ (projected salary)
Year 2	\$ (projected salary)	\$ (projected salary)
Year 3	\$ (projected salary)	\$ (projected salary)
Year 4	\$ (projected salary)	\$ (projected salary)
Year 5	\$ (projected salary)	\$ (projected salary)
5-Year Salary Total:	\$ (total of Years 1-5)	\$ (total of Years 1-5)
5-Year Asset Check:	\$0 (asset value of job)	\$ (projected value of franchise)
Total Value	\$ (total of Years 1-5)	\$ (total of Years 1-5, plus asset value)

**Want to know more about how franchising pays you?**

*Let's talk about it.*

**E-mail me at \_\_\_\_\_ or call \_\_\_\_\_.**

**Pete Gilfillan**

**Franchise Consultant and Author of *HIRE YOURSELF***