



# U.S. VETERANS MAGAZINE

Providing Business, DVBE & Employment Opportunities

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**FRANCHISING 101: BUSINESS IN A BOX**

While small business is the backbone of the U.S. economy, and business ownership is front and center in reaching the American Dream for many veterans, entrepreneurship is not for everyone. If the stereotypical risk-taking, roller coaster lifestyle associated with entrepreneurship leaves you in a cold sweat, franchising may be the perfect prescription if you've caught the business ownership bug.

# Dennis Haysbert

*A Voice for Veterans*



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# FRANCHISING 101: BUSINESS IN A BOX

While small business is the backbone of the U.S. economy, and business ownership is front and center in reaching the American Dream for many veterans, entrepreneurship is not for everyone. If the stereotypical risk-taking, roller coaster lifestyle associated with entrepreneurship leaves you in a cold sweat, franchising may be the perfect prescription if you've caught the business ownership bug.

At its best, franchising combines the benefits and autonomy of sole proprietorship with the systems and stability of corporate America. At its simplest, business franchising can be equated to renting or leasing a neatly packaged business opportunity, with the full range of product creation, market

analysis, systems development, training modules, delivery programs, and marketing initiatives created for you. The very best franchise systems will provide all this, delivered with a pretty little bow.

Veterans adept at working in team environments may find comfort in the franchise

arena. Whether utilizing resources and talents at the franchisor's HQ, or building a crack staff at the unit level, effective franchising is a team effort. The common adage is: "Franchising means working for yourself, but not by yourself." With more than 3,000 established franchise brands in nearly 250 different

lines of business in the U.S., there's a franchise opportunity out there to suit nearly everyone's interest.

Among the greatest appeals in franchising is the opportunity for business owners to control their own destiny and provide financial security for their future. The question must be asked,

however, whether the independent-minded business person is buying themselves a job by working in the single-unit business every day as a hands-on operator; or whether they are more attracted to multi-unit ownership with the rights to develop geographic areas or territories. The latter requires significantly more business acumen and capital, while the former may offer the lifestyle that appeals to many.

No matter the long-term goal, franchising appeals most to those who may be interested in business ownership but who want to mitigate the associated risks. The ideal franchise business should be in an industry that you find appealing; fit within your initial investment budget; offer a lifestyle you find attractive (as it relates to free time, earning capacity, decision making, etc.); offer comfort, a level of accuracy, and a sense of reality about what can be expected; and improve the chances of building a successful business and realizing satisfactory cash flow.

When considering the purchase of a franchise, remember this:

- (a) Franchising agreements typically run from 5 to 30 years;
- (b) initial costs run from a few thousand dollars to one hundred thousand dollars, depending on the concept;
- (c) monthly royalties can run from 5 to 10 percent of gross revenue;
- (d) many franchisors require a 1 to 3 percent fee for their advertising and marketing fund;
- (e) and franchisees don't legally "own" the franchise they "buy." They are, however, granted a license to operate and

manage their franchise business; and they do own the physical assets of their company.

Franchising can certainly provide income faster than starting a business from scratch, and in many cases can offer a greater long-term return when adhering to the following tips:

**TIP #1:** Do your due diligence. Seek out and meet current franchisees, and ask about the ease of running their business. Are they making a profit, and do their businesses have sufficient cash flow? Are they gaining market share? How helpful has the franchisor been in training staff and marketing their business?

**TIP #2:** Protect your investment. Only consider franchises that offer protected territories and exclusive rights within your geographic area. Inquire about pending and past litigation against the franchisor.

**TIP #3:** Go with the proven concept. Avoid new systems that don't have franchisees making reasonable profits within acceptable timetables.

**TIP #4:** Don't be a lone wolf. Surround yourself with people who are bolder and brighter than you are, and visit [www.VetFran.com](http://www.VetFran.com) for assistance in choosing a veteran friendly franchisor. VetFran includes nearly 500 International Franchise Association franchisor member companies offering incentives, training and mentoring to veterans interesting in franchising.

Have a question you'd like Larry to answer? Log on to [www.usveteransmagazine.com](http://www.usveteransmagazine.com) and click the link "Ask Larry" to submit your question, or send it directly to Larry at [larryb@usveteransmagazine.com](mailto:larryb@usveteransmagazine.com).