

Matrix of Franchise Businesses

I have defined four major categories of franchise businesses, where brands within each category tend to share similar characteristics irrespective of the service or product they provide. Once we determine which category(s) matches your personal profile and key criteria, then we can analyze different top performing brands within that category to identify your best matches.

RETAIL BRICK AND MORTAR BUSINESSES <i>These tend to be the brands with Semi-Absentee ownership options. Most of the national franchisors in this category are well known because you've probably driven by one.</i>	
<p style="text-align: center;">Quadrant A</p> <p>Simple Retail Business <i>"People need it and come to you"</i> Examples: retail restaurants (McDonalds, Subway), shops that sell products, hotels, etc.</p> <ul style="list-style-type: none"> • Any business that is transactional in nature • Customers come, buy something and leave • The thing they buy is from a pre-determined menu • Simple employee model – think 18 year old kids learning over a few shifts • Total Investment including franchise fee, build-out, working capital, etc. ranges from \$150,000-\$2,000,000+ (Subway \$180K+, Snap Fitness \$300K+, McDonalds \$900K+) • Marketing is more reactive – people come to location because they know the brand and they need/want the service/product • Brand recognition important • Location is very important 	<p style="text-align: center;">Quadrant B</p> <p>More Sophisticated Retail Business <i>"You provide a skilled service that people need"</i> Examples: retail services where employees have vocational training/certification (automotive service, haircuts, facials, hair removal, massage, tax preparation)</p> <ul style="list-style-type: none"> • Any business where you semi-customize and need trained people to do the work. The employees may need licensing or certification. Think of the difference between a guy who can change a transmission and a kid at Subway. • Total Investment ranges greatly, but there are many options in the \$250,000-\$500,000 range. • Marketing is both reactive and proactive – we can target customers in certain areas • Barriers to entry are higher than simple retail • Franchisor need to help you find, train, and retain good employees. Also, if we are dependent upon getting parts – we need an efficient supply chain already in place or else we can't service customers.
<p>General Comments on Quadrants A & B</p> <ul style="list-style-type: none"> • These are scalable and replicable i.e. if you open 1 Supercuts, you can open another. If you can run 2, then you can probably run 10. • Financing tends to be straightforward – banks like to lend to companies they have heard of and have a physical location. • Time to get a unit open can take 6-12 months. Find location, negotiate lease, leasehold buildout, hire personnel, grand opening. • Owners manage the manager(s). 	

BUSINESSES THAT DO NOT REQUIRE A RETAIL LOCATION

*These tend to be the brands with **fulltime, active ownership involvement** at least for the first 2-3 years. You don't know they exist until you need them. They tend to provide services on-site.*

Quadrant D	Quadrant C
<p>Business to Business (B2B) <i>"Make your back office someone's front office"</i> Jack Welch Examples: commercial cleaning, staffing, business consulting/coaching, employment testing, security</p> <ul style="list-style-type: none"> Anything that a business needs, there is probably a franchise to provide it. You may operate from an office and meet with business owners on-site to sell your services/products. These owners tend to have white collar management backgrounds, comfortable in professional setting and selling ideas to various stakeholders. Think PowerPoint presentations to a group. Total investment varies, but there are many options in the \$80,000-\$250,000 range. Typically, to start you will need a few employees, some equipment and office fixtures, etc. You need to project a professional appearance to get business from larger businesses. Sales cycles tend to be longer and the accounts that are landed tend to be larger. Maintaining relationships is important. <i>If you get a bad burger at McDonalds, you'll probably go back. But if you provide a bad service to a business, then they'll probably use someone else in the future.</i> Many franchisors have national accounts, pre-existing relationships with large businesses can be important. 	<p>Business to Consumer (B2C) <i>"You go to see them at their home"</i> Examples: senior care, tutoring, nanny, residential property related (cleaning, painting, remodeling, moving).</p> <ul style="list-style-type: none"> Any business where you provide services to a residential consumer usually at their home. You don't need a storefront – these brands can be run from a home office, small business office, or light industrial space. The business is scaled as it grows.. Add people and equipment as necessary. Want to know what the franchisor does to make your phone ring, and what do you need to do. The model tends to be <i>"this is what we do, this is how we do it, this is where our target customers live, this is how we connect with them"</i> Brand recognition is important, but the demand for services and the ability to reach consumers is equally important. The owner needs to have decent selling and interpersonal skills because you will be explaining to people why they should choose your business. Total investment tends to be in the \$75,000-\$200,000 range. This can increase depending on the level of equipment and personnel you start out with.

General Comments:

- B2B2C: Many franchise businesses have a foot in both C & D Quadrants. They do work with consumers but set up relationships with other businesses to have them refer clients. Think of the real estate agent that refers contractors.
- B2C brands typically ramp up quicker than B2B.
- Web/ digital marketing more important for B2C.
- Owner tend to need good sales/networking skills for these brands.

Helping People Achieve Goals Through Franchise Business Ownership

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