

Business Examiner

Sign of the Times

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Todd and Bambi Stringham are two of the thousands of Americans who have turned their dream of owning a business into a reality through franchising. After profiling more than 30 franchisors from across the nation, the couple found what they were looking for in Maryland-based Signs By Tomorrow and set up their shop in Lacey in late 2006.

Both Stringhams knew the corporate world well and wanted something different. Todd Stringham was a corporate pilot for 15 years, until Sept. 11, 2001 when the market turned. He spent the next five years working in the real estate industry. Bambi Stringham owned a computer store for more than a decade and was an administrative assistant at a non-profit organization in the years prior to the store's opening.

"I have always wanted to own my own business," Todd Stringham said. "After a lot of research, we found Signs By Tomorrow had the business model and support system we were looking for."

The Stringhams searched high and low for a franchise company that supported their efforts, but also allowed them to be creative in how they grew their operations. They wanted a proven model for success, not hand-holding. The couple is not alone.

New businesses take form each year across the country. One decision that each entrepreneur must make is whether to start a business from scratch or buy a franchise from an already established business. The right answer depends on the situations the entrepreneurs face, and their goals.

The franchise or not to franchise question isn't as clear as it once was. While franchise opportunities were once limited to fast food and hardware stores, times have changed. Franchise opportunities now range from construction to medicine, from clothing to cold drinks. There are quite a few advantages to choosing the franchise route as well, according to the U.S. Small Business Administration, including quality control standards, getting necessary technical and managerial experience, and being able to market a product or service that is already established.

According to U.S. Small Business Administration, a nationwide network of franchise associates, franchise businesses experienced a growth rate of 33 percent between 2000 and 2006. Last year's numbers are expected to reflect an even faster continuation of that growth.

Dawn Davis is part of that growth. She was a subprime mortgage broker at Washington Mutual in Anaheim, Calif. before the foreclosure crisis left her searching for new opportunities. Davis' brother and fellow Washington Mutual broker Chuck Cuthbert extended an invitation for Davis to manage his new Emerald City Smoothie location at Sixth and Pearl in Tacoma.

"Chuck wanted to use a franchise business to diversify his portfolio," Davis said. "Being part of a franchise has been one of the most positive things I've ever done. It's the best career move I've ever made."

Davis' store opened in mid-December, and sales have grown between 10 and 15 percent every week since she opened. Davis' store was also the pilot for a company support program called "Build Out in a Box" that pre-builds the franchise locations. The store was designed, painted and equipped before Davis even set foot inside it, allowing her to hit the ground running as the operator. Though Davis acknowledges that running a small business requires more involvement than a traditional nine-to-five job, she said the rewards are much greater.

"It's a lot of hours, but it almost feels like quality time," Davis said. "It's been a really exciting challenge. I wouldn't have ever tried my hand at business if it weren't for this opportunity. Forget it. I would have stayed and worked for another corporation."

Since Emerald City Smoothie first launched in Federal Way in 1996, the company has grown to 47 locations throughout the nation, and plans to have more than 300 operating stores before 2011.

John Trautman, also a former Washington Mutual mortgage broker who managed operations in five states and was Cuthbert's former sales manager, turned him onto the franchise last year. Trautman is a multi-unit franchise owner with stores in West Seattle and Bellevue, and has become the executive vice president of the franchise itself.

"About eight years ago, I went into an Emerald City Smoothie in Burien," Trautman said. "It was really the only thing out there that acts as a meal replacement. You can eat it quickly, and it's good for you. I fell in love with it."

During the next five years, Trautman decided to buy the rights to several areas.

"My opinion was that the best territories were open, but because of the high rent, people were scared off," Trautman said.

He added that he always thought he'd be in business for himself, but he never knew what kind of business it might be.

"Obviously, believing in the product is a huge thing," Trautman said. "All the owners were customers first. The product was big, and then you just see areas of opportunity. I just saw this huge void."

Trautman said franchising was an easy decision for him, because of the minimal risk.

“There’s 11 years of history here,” Trautman said. “It’s a proven business model. If I’m looking at doing a business, I want to go into business for myself, not by myself. That’s really where the franchise comes into play.”

Emerald City Smoothie franchisees pay 6 percent of their gross profits to the franchisor for royalties, as well as 2 percent for marketing.

“You have much better negotiating power than business owners who walk down the street to the Cash & Carry to get their goods,” Trautman said. “The marketing pieces that we have are top-notch. I would say that being part of a franchise allows you to work inside your four walls, making your business better from the inside out. Eight percent is given to the franchisor and, in return, (business owners) get A-to-Z help that will shave years off (the process of) trial and error.”

Trautman is so impressed with his own success that he’s recommended the franchising industry to everyone he knows – like Cuthbert.

“I started telling my friends, and they started buying,” Trautman said.

Lori Kiser-Block, president of FranChoice, is familiar with Trautman’s enthusiasm. FranChoice is the company behind a network of franchise referral consultants in the United States. Its consultants guide prospective franchisees through all stages of the business ownership process, from franchise investigation to the final sale, matching each person’s interests, talents and investment level with a franchise business. The company is paid by franchisors and works for free with candidates searching for their perfect business fit.

“It’s a lot like a match-making company,” Kiser-Block said. “We help would-be franchisees find what fits.”

And the industry as a whole is expanding.

“It’s absolutely growing and exploding beyond belief,” Kiser-Block said. “There are more than 3,000 franchisors around the country today. A great franchisor has already made all the mistakes for you. It’s a great way for them to build their brand nationwide without the investment.”

Kiser-Block warned that choosing a franchisor is a personal endeavor as much as it is a business one, and not every would-be franchisee is cut out for every opportunity.

“Here’s the thing we like to tell people: ‘Be very careful not to make your hobby your job,’” she said. “For instance, if you’re franchising a restaurant, it’s not about being a chef. You’re managing employees. You’re managing the food process. That’s what franchising is about. It’s important to do something you love, but translate that love into a

list of business characteristics you can search for. If you like to work with young people, than a retail or fast-food business might be right for you. If you want to manage white-collar workers, then perhaps a business coaching service.”

Kiser-Block said franchisees should think of their relationship with their franchisor as a marriage, as many contracts last 10 years or more.

“People need to make sure the culture, attitude and personality of the franchisor match with their own,” she said. “A great franchisor is going to be doing the same investigation on you.”

Kiser-Block said the relationship between the franchisor and the franchisee explains a statement from the SBA and U.S. Department of Commerce that show a significantly lower failure rate for franchised businesses than for other business start-ups, though there are no recent studies to prove this assertion. There are business owners who would prefer to go it alone, despite the risk.

Dex Silver, former Mayor of Fircrest and local entrepreneur, founded ABC Sign Company in Tacoma in 1982. In late 2000, after 18 years in business, Silver was looking to retire. He had traded services on a regular basis with Greg Allen, a fellow sign shop owner. Allen bought Silver’s company.

On the company’s Web site, Allen acknowledges that he has worked for franchise companies such as FastSigns and Signs Now and he was really disappointed with the “lack of creativity and the cookie-cutter” signs that they produced. Still, some franchisees feel they’re fulfilling their business dreams. Ethan Golf opened his first Subway franchise in 1985. He now owns 11 stores, and the rights to sub-franchise Subway locations in a nine-county area of Western Washington that includes Pierce, Thurston, Lewis and Mason counties. Golf’s offices are based in Gig Harbor.

Golf said that, like other franchisees, he joined Subway because he liked the concept. He said that, even decades later, he has no regrets.

“I wanted to be in business for myself, desperately,” he said. “I wanted to do it myself.”

Hot franchising opportunities

Though franchises in general are proven business investments, there are certain industries that experts expect to be especially popular in 2008 and beyond.

According to FranNet, the following types of franchise businesses are expected to sustain their momentum for another 20 years:

Senior Care Services:

By 2030, the number of Americans older than 65 is expected to reach more than 70 million. Baby boomers will need assistance in a variety of ways. Franchises geared toward the senior population include medical supplies and equipment, personal assistance and nursing care.

Personal Care Services:

This industry focuses on a large segment of the population. There are a variety of personal care franchises that cater to those with the money to treat themselves, including spas, salons, gyms and skin-treatment clinics.

Children's Educational Services:

Parents are eager to pay professionals to help their children succeed. Franchises focus on test preparation, tutoring, college placement consulting, assessments and even specialty skills such as cooking or foreign language lessons.

Online Auction Processors:

Online selling, on eBay or one of its competitors, is doing well. But not everyone is up to speed on setting up and selling on an online auction site. There's a new wave of franchises that can step in and help sellers get their products online and out the door.

Food:

New concept food franchises are doing well, because people like to try the new and unique when it comes to eating. Food franchises that are hot right now include fast and healthy meal preparation centers, organic food stores, coffee and smoothie shops and gourmet grocery stores.

Home Improvement Services:

With the increase in real estate values, many homeowners don't want to move or simply can't afford to. They are tapping into their equity to remodel, upgrade or add on to their existing homes. The home improvement franchises that are most in-demand are easy, welcome-to-you services that can quickly transform a home.

Pets:

It's estimated that pet owners spend \$35 billion annually on items and services for their pets. Some franchises doing well in this area include walking services, pet daycare centers, pet supply stores, gourmet pet food and gifts and mobile and retail grooming services.