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ENTERPRISE *By Raymund Flandez*

A Look at High-Performing Franchises

Food's Grip Loosens As Diverse Concepts Pop Up and Do Well

It looks like franchising is no longer dominated by a single sector.

The fast-food industry's power-grip on the franchising industry is slowly loosening, as industries serving the consumer and residential markets are expanding rapidly and performing well financially, according to The Wall Street Journal list of 25 franchise high performers.

The big performers are a diverse bunch—including a dance studio, senior-care facility, a veterinary hospital and a moving company. In fact, there are now more than 230 lines of businesses that do franchising, according to FRANdata, an Arlington, Va., independent research firm that helped analyze franchise data from the past three years and compile the list.

And the hottest growth, by both unit market share and by fastest growing industries as measured by new units, is taking place in the services industry, such as health and fitness, security and consumer services.

Banking on Baby Boomers

Home Instead Senior Care, the franchise on the list with the highest average net-income growth, has benefited from the rise of the elder-care industry and is poised to serve a large demographic: baby boomers.

The franchise, which offers senior home-care services, is owned by **Home Instead Inc.**, Omaha, Neb. Net income for the company's 705 franchises was up 331% over the past three years.

"The trend is still growing in the senior-care market," says Lori Kiser-Block, president of Franchising Choice Inc., a franchise broker firm from Eden Prairie, Minn. "People still need some help with their parents and need somebody to help them within their home or living outside their homes or living with assisted services."

An estimated 36.8 million people, or about 12.4% of the U.S. population, are 65 and older, according to the U.S. Census Bureau's 2005 data. And that number is expected to double in size within the next 25 years.

Experience also seems to be a boon for franchisers. Most of the companies on the list—23 out of 25—have been franchising for at least 10 years.

For instance, net income at **Arthur Murray International Inc.**'s 149 Arthur Murray Dance Studios rose an average 84% over the past three years. The Coral Gables, Fla., company has been teaching people how to ballroom dance since 1912 and has been franchising since 1939, making it the oldest franchise on the list.

The survey also suggests that not all successful franchises require a huge financial investment at the start. The average initial investment for franchises on the list ranges from \$9,200 for a **Winzer Corp.** auto-

motive-repair supplier to \$1.7 million for a **Ponderosa Steakhouse** restaurant, which is a part of **Metromedia Restaurant Group** of Plano, Texas.

Helping Hand

While franchises generally don't offer help finding financing, five on the list do so. One is **Banfield, the Pet Hospital**, a Portland, Ore., veterinary-medicine franchise.

Since it started franchising in 1998, Banfield has provided, among other services, a staff to handle its franchisees' financing paperwork and direct them to lenders who are friendly toward franchise owners.

John Payne, Banfield's president and chief executive, says any credit tightening from lenders won't affect its franchise because of its extensive vetting process in finding qualified franchisees. "We're not just putting bodies in real estate...We want people to be successful," Mr. Payne says. "We turn down people before they ever get in front of a lender."

Banfield's 200 pet-hospital franchises had average earnings growth of 47% over the past three years and the company counts the explosion in pet ownership in America as a major reason for its growth.

Slower Pace Ahead?

In 2006, nearly 3,000 established franchise brands expanded their unit totals by an average of 4%. And more than 300 companies began franchising

for the first time, according to the International Franchise Association in Washington and FRANdata.

But with many predicting an economic slowdown and banks tightening their lending criteria, the number of both new franchise units and new concepts could start to ebb.

"The pace of growth is going to slow," says Darrell Johnson, president of FRANdata, because banks are getting risk-averse.

Consumer-focused businesses—such as restaurants, lawn-care and handyman services and computer support—could see some downturn this year if customers start tightening their own wallets in response to cooling economic conditions.

In particular, fast-food and casual-dining businesses, while still showing strength, with eight names on the list, also are facing pressure from wage and food cost increases. To lower operating costs, several food franchises already are shuttering some locations.

"The food marketplace is getting crowded," says Marc Kiekenapp, managing partner of franchise broker KRA Franchising LLC in Scottsdale, Ariz. "There are so many choices in franchising today that people will start in the food area but then drift toward a lot of the other opportunities and segments in franchising."