THE BUFFALO NEWS BUSINESS

A ready-made business

Buying a franchise removes a lot of the startup pains, makes marketing and purchasing a snap, but the ability to innovate and make big changes is lost

Firehouse Subs franchise owner Mark Harris said the details from the company helped him get his shop in Clarence started. Mark Mulville/Buffalo News

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on November 3, 2013 - 12:01 AM

Mark Harris hated his job.

It got so bad, he found himself hyperventilating on Monday mornings. That’s when he started looking for a way out, and found it in Firehouse Subs, a fire department-themed sandwich franchise headquartered in Jacksonville, Fla.

Harris owns the area's first location on Transit Road in Williamsville and will cut the ribbon on a second store in Blasdell next month.

"I work 65 to 70 hours a week and I never feel the stress," Harris said. "I actually enjoy going to work."

Harris wanted to strike out on his own but didn't feel he had enough experience or creativity to go it alone.

"As much as I'd like to say I could have done it on my own, I don't think I could've," Harris said. "They helped us with everything, from what building we should go into, to the number of tables we should have to the list of equipment we needed in the kitchen."

It also brought Harris a built-in group of customers that had visited – and loved – Firehouse Subs elsewhere in the country.

"On opening day, I had customers lined up down my 25-foot counter and literally out the door," Harris said. "There's no way that would have happened if I had opened something on my own."

That is the appeal of restaurant franchising for many – a ready-to-go, proven business model with a built-in network of support and advertising. There's also the chain's buying power that allows franchisees to buy everything they need cheaper than they could as sole proprietors.

There are more than 200,000 franchised quick-service restaurants in the United States and the numbers are growing. The industry brought in $160 billion in 2012, compared to $6 billion in 1970, according to FranchiseHelp.com.

But franchises aren't limited to fast-food restaurants. Today, there are franchised home inspection companies, landscaping franchises, child care franchises, even pet sitting franchises. Startup costs can range from $6,000 for a commercial cleaning company to more than $50 million for an upscale hotel.

In August, Edward Sullivan of Orchard Park used his retirement savings to open EmbroidMe, a custom embroidery, screen printing and promotional products franchise.

"The advantage we have is, we have a very strong, professional presentation that comes from the franchise," Sullivan said. "They give us a lot of good insights and advice and they've figured out where all the pitfalls are and helped us to avoid a lot of mistakes, so that's helped us get up to speed very quickly."

That is not to say the launch was effortless. The amount of work that went into getting it open – from dealing with regulations to the real estate and banking – was more than he anticipated.

Sullivan has three employees at the Buffalo franchise. He has a target of $250,000 to $300,000 in sales for his first full year of business, with a goal of reaching the $750,000 to $1 million mark in three years. He is focusing on building name recognition, but sees possibilities to expand.

Rules a help or hindrance

Sharon Grewal recently leased out her successful Shell gas station in Indiana and moved to Amherst, where she plans to open a McAlister's Deli in spring.

"Everything is laid out for you," Grewal said. "You know what you're getting into, you know what it costs and what to expect."

Grewal said franchise-imposed procedures and regulations are why she chose to [buy a franchise] rather than start her own business from scratch.

"I like rules and organization," she said.

But for some, the rigid guidelines can prove stifling.

"All the big decisions are made for you, but that's the downside, too," said Harold Star, a strategy professor at the University at Buffalo School of Management. "All the heavy lifting is done, but if there comes a time you want to make changes, you can't do that. It's very much a yin and yang."

Particularly hard to swallow are discount-based promotions that require franchisees to cut already thin margins. In 2009, franchisees sued Burger King after it forced them to offer $1 double cheeseburgers during the recession – even though they cost $1.10 to make.

"The big boys have very tight constraints and controls," Star said. "They're selling you a winning formula and they're going to make sure you follow it to the letter."

There are surprise inspections, secret shoppers and myriad ways for the corporation to check up on franchisees' quality, service and compliance.

And though you can expect a franchiser to tell you everything from where to buy your salt packets to which software system to run your registers, you can't expect them to tell you how much money you'll make under their banner. Federal laws prohibit franchisers from making estimates about a franchisee's potential profits. The closest a franchisee can get is the corporations' financial disclosure documents, and those aren't reviewed by the Federal Trade Commission.

Disagreements happen

If a franchisee steps out of line or has a grievance with its franchiser, the franchise agreement spells out the steps taken to remedy the situation, according to Jania Bailey, president & COO of Frannet, a franchise consulting agency.

But bigger beefs can involve third parties.

"Many times the franchiser will get the Franchisee Advisory Council involved as a mediator," Bailey said. "When all else fails … it results in outside mediation or arbitration."

Some critics have said the mediation process is stacked greatly in favor of the franchiser. Congress had considered banning mandatory arbitration clauses in franchise agreements, but the International Franchise Association spent millions lobbying against it.

That's why it's important to go in with your eyes open, do your homework and understand the intricacies of the cost structure from the beginning, according to Valerie Daniels-Carter, a wildly successful franchisee in Wisconsin who owns 137 quick-service restaurants in six states, including Pizza Hut and Auntie Anne's locations in Western New York.

"Make sure the vision of the brand over the long term aligns with your own," she said. "Make sure you've got strong financial advisers and legal help."

Always a risk

Even with teams of people testing and perfecting everything from a store's recipes to its marketing campaigns, franchising isn't a sure path to success – even if every step of the manual is followed correctly.

"They give you the tools, but you are indeed the craftsman," Daniels-Carter said.

Bill Nowak and Gail Gentry, a brother-and-sister team originally from West Seneca, are in the process of building five Checkers restaurants in Western New York over the next five years.

Gentry has spent years as a Checkers manager, turning failing stores into top locations. With his financial support and her operational skills, they're betting on success, even though Nowak is a year away from retiring from a successful and lucrative career as an IT and management consultant in Atlanta.

"I said, 'why don't we start making money for ourselves instead of someone else?' " Nowak said. "We want to be the ones in control of our future."

He insists he can still do that within the franchise model, and certainly couldn't do it without it.

"I have a lot more control than I would sticking with mutual funds or sitting home watching the stock market go up and down," Nowak said. "This way we're grabbing the reigns and proactively, aggressively investing in our future."

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