

Franchises, from doughnuts to home care, can be a less risky way to own a business



DAVID SWANSON / Staff Photographer

Reynolds Corea and caregiver Janice Campbell visit client Rosamond Murphy. Corea, an outsourcing expert laid off from Accenture after nearly 20 years, has started a BrightStar home-health-care franchise. Joining a chain was less "daunting" than starting from scratch, he said.

Starting over, as the boss

Many would argue that fried chicken has nothing to do with health care. Reynolds Corea would beg to differ.

He's a former outsourcing expert who was making "easily" six figures, Corea said, when Accenture Ltd. cut him loose in January 2009 after nearly 20 years.

"They called it rightsizing — they had all sorts of euphemisms for it," recalled the 50-year-old Exton father of two college students. "But it was a layoff."

A layoff that has led Corea where so many corporate refugees have opted to go for a second career act: operating a franchise business.

Though small businesses, franchises account for some sizable economic statistics — nearly 18 million jobs and \$1.2 trillion in gross domestic product, according to the International Franchise Association in Washington. The group attributes one out of eight nonfarm, private-sector U.S. jobs to franchise businesses.

The franchise market is growing at an annual rate of 2 percent, said John A. Pearce II, endowed chairman of strategic management and entrepreneurship at Villanova's School of Business.

"While that's not where all the action is, certainly there is a lot of vitality," Pearce said.

Part of the appeal of franchise ownership is the range of opportunity it offers, said Brian O'Keefe of O'Keefe Franchise Advisors L.L.C., a Boston franchise consultant. The estimated 825,000 U.S. franchise businesses stretch far beyond sandwiches, coffee, doughnuts, and water ice to include such inedible specialties as tax preparation, automobile care, home inspection, and paving.



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O'Keefe said his typical client "always had this longing or desire to be a business owner. They see that franchising is a great way to enter into business ownership with less risk."

As Pearce put it: "You are accepting someone else's business model, their public image, their cost structure, and you are agreeing by and large to follow their policy manual quite rigidly. That arrangement can be a source of great comfort."

Indeed, it was the idea of being his own boss while following someone else's game plan that hooked Corea. That came after a period of introspection during some Accen- See **FRANCHISE** on D4

Are You Franchisee Fit?

- Do you have money to invest? How about enough working capital to afford inventory, pay employees, and market your business?
- Can you follow another's business model? Even if that includes being required to get a franchisor's approval of any advertising or special promotions you plan?
- Do you have experience in retail sales or performing a service?
- How many hours a week are you willing to work? Franchisors are increasingly seeking operators willing to make not just a financial investment, but a career investment.
- Will you mind turning over 7 percent of your revenue to the franchisor?
- Have you researched whether the business focus of the franchise you are considering buying is sustainable and/or set to grow?
- Have you talked to existing franchisees about their experiences?
- Will the franchisor provide you with enough training and ongoing support?
- Have you read and fully understand the Franchise Disclosure Document, and sought legal and financial advice?

SOURCES: O'Keefe Franchise Advisors L.L.C., and John A. Pearce II, Villanova School of Business.

Franchise

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ture-sponsored outplacement counseling. From it, Corea concluded two things about his future wants:

1) "I did not want to report to anyone else, because in corporate America ... it is that 'what-have-you-done-for-me-lately' culture now."

2) "Whichever organization I joined, it had to be the right culture, where I could run my own show — with certain guidelines."

During that period of unemployment, Corea also worked on his physical condition. While on the treadmill, he would listen to audio books. One of them, *Loyalty Rules!*, by Frederick F. Reichheld, set him on the road to franchise ownership. It referenced Chick-fil-A's "picky" standards for selecting franchise operators — and Accenture management alumni were among them.

What followed was an enlightening nine-month journey behind the counter at

Chick-fil-A outlets in Glen Mills and Northeast Philadelphia at the humbling wage of \$10 an hour.

"It helped me confirm what my role should be and the kind of culture I'm looking for to work in," Corea, a Malaysia native, said of the Chick-fil-A experience.

Although he embraced the company's commitment to quality service, Corea concluded: "I didn't see myself frying chicken." So Chick-fil-A would not be the answer for Corea.

What he wanted was a business that involved matching the right people with those in need in Chester County. O'Keefe, the consultant, eventually led Corea to BrightStar, a predominantly home-health-care chain that started in 2002 as a local business run by Chicagoans J.D. and Shelly Sun, who left corporate jobs when their search for in-home care for a relative turned up horrifying results.

They sold their first private-duty home-care and medical-staffing franchise in 2006, including one in Langhorne, said BrightStar president

Chuck Bailey.

At the end of last year, BrightStar had 198 offices in 35 states. The total by the end of this year is expected to be 275 — with future expansion plans buoyed by the anticipated ever-growing demand for in-home medical and nonmedical care as baby boomers age. The overwhelming majority of the 6,000 families a week currently served by BrightStar are private-pay clients.

Bailey said — and Corea confirmed — that potential franchisees were put through a probing evaluation not only to assess whether they were a philosophical fit for the chain but that they meet its financial criteria, including a net worth of \$500,000. The buy-in fee was about \$200,000, Corea said.

Open for business just since January, his BrightStar of West Chester franchise is providing two clients with nonmedical in-home care, such as bathing and dressing them, reading to them, and helping them get around. Corea is not ready to offer medical services but expects to be within a year at rates he

acknowledges will not be the lowest in the market. Bailey said BrightStar prices were usually \$1 to \$2 an hour higher than average "so we can pass that back to employees." Its caregivers are usually paid about 10 percent more than the industry average, he said.

That's all part of ensuring the quality service for which Corea wants his new venture to be known.

"It's more than just sending a warm body," he said of his company's mission. "If our caregivers don't care in addition to providing a service, then we have failed."

It's a "daunting" undertaking, Corea acknowledged, but one made less overwhelming because he is part of a franchise rather than a stand-alone start-up.

"I'm out here scurrying around trying to build a business," he said. "I need someone to worry about what's next."

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