

TAKE TWO | JUNE 2, 2011

Finding the Right Franchise

Many would-be owners are working with franchise consultants to save legwork and avoid mistakes.

By [ANGUS LOTEN](#)

"Take Two" is an ongoing series about first-time business owners over 50 by Angus Loten, a small-business reporter for the Wall Street Journal.

Like a growing number of baby boomers, Reynolds Corea turned to a franchise consultant when he went looking for a ready-made business to buy -- though not before testing the waters on his own. A 51-year-old outsourcing executive at Accenture with more than 20 years experience, and nearly \$500,000 in an individual retirement account, Corea was confident he had the skills and resources to be his own boss.

He just wasn't sure where to start looking.

Today, there are more than 3,000 different franchise brands on the market, together overseeing more than 790,000 locations across the country, industry figures show. Those numbers are expected to grow by 2.5% this year, up from 0.3% in 2010, the International Franchise Association reports. Franchise consultants help budding franchisees find the right one, based on an assessment of their finances, business experience and personal goals. In exchange, they charge between 30% to 40% of the franchiser's one-time fee for launching a new location, which can be upwards of \$80,000, depending on the chain. Though the service is free for prospective franchisees, only about a third seek professional help, consultants say.

Instead many just dive right in. Laid off at the height of the financial crisis, Corea immediately started working at a local Chik-fil-A outlet, serving chicken and biscuits for \$10 an hour in order to get a "better feel for the business" before committing to an investment -- even if it meant cleaning out a few grease traps. "Getting laid off gave me a chance to step back and figure out what I wanted to do with my life, and I wasn't in a hurry to join another big corporation," says Corea, who lives outside Philadelphia with his wife and two college-age children. Yet, what began as a research project stretched into a nine-month job behind the counter at a fast-food chain he eventually decided wasn't for him. "It was a humbling experience," the former Fortune 500 executive, who had made \$200,000 a year, says of mopping floors and closing up the Chik-fil-A late into the night.



Name: Reynolds Corea
Age: 51
Former Job: Outsourcing executive,
Accenture Plc.
Salary: \$200,000/year
Transition Job: Chik-Fil-A Server
Salary: \$10/hour

Part coach, part therapist, franchise consultants offer the kind of guidance and legwork that might have saved Corea a lot of time and effort. "I've seen prospects ride along with a franchiser for a day or two to get a feel for the business," says Christine Friedberg, a sales and innovation director at FRANdata, an Arlington, Va.-based franchising market research group. She admits getting the picking the right franchise isn't easy and that mistakes can lead to trouble. About 5% of franchises fail in their first year, an often-cited Commerce Department study found, though experts say the actual figure is likely higher. Depending on the franchise, as many as 70% of government-backed loans to franchisees went bad last year, Small Business Administration lending data shows. With franchisers now in industries such as food service, retail, consumer services, business-to-business and more, choosing can be a gamble.

"There are just a myriad of opportunities," says Mike Waller, a franchise consultant based in the Chicago metro area. He admits would-be clients are often suspicious of the dual role played by consultants in representing both the buyer and the seller -- not unlike a real estate agent. And with ramped up competition, it's never been more tempting to sell a client on a big-name brand for a quick fee. Yet Waller says it's in the best interest of a consultant to send only high-quality leads to franchisers that stand a good chance of converting into sales -- not only to get paid, but also to foster a mutually beneficial relationship with those brands over time.

And that relationships doesn't have to create a conflict, Waller says: "The last thing I want to do is burn someone by sending them a bad lead." For consultants, that means not only making an accurate assessment of a client's business strengths and weaknesses, but also their broader goals for work-life balance and retirement, he says. "I try to identify what people are looking for, what they really do well and what they want to get out of it."

Still, in developing a strong network of brands, consultants risk limiting the options they make available to their clients, who need to be vigilant about doing their own research and bringing other opportunities to the table, Friedberg adds.

After nine months at Chik-fil-A, Corea started working with a franchise consultant who presented him with a list of alternatives based on his skills and goals. These included sales, marketing and client relationships, along with a sense of community service. In the end, Corea rolled over his IRA to pay an \$80,000 fee for a BrightStar outlet, the senior home-care service chain with more than 130 locations nationwide. Launched four months ago, and with an initial operating cost of about \$200,000, Corea currently has two full-time employees and 10 part-time caregivers, with more positions expected as the business grows in the months ahead, he says.

"It was definitely less stressful at Chik-fil-A, but I'm thriving with BrightStar," Corea says, citing a larger role in marketing and client interaction. "It took a long time to decide the restaurant was not a good fit for me. My wife kept asking, 'Do you see yourself selling chicken?'"

The answer was no, but it took the outside perspective of a consultant to see that, Corea says.