

Chain Links

Franchise consultants can help prospective buyers find the right match. Just remember who's paying them.

By ANGUS LOTEN

After 21 years in the trading pits of the Chicago Stock Exchange, Mike Grace wanted to be his own boss as a franchise owner. But he needed help finding the perfect match—so he turned to a franchise consultant.

Part business coach, part financial adviser and part therapist, franchise consultants aim to help prospective owners find a brand that best suits their financing, skills and goals. Mr. Grace's consultant, Mike Waller of **Entrepreneurs Source Inc.** in South Barrington, Ill., helped him realize he wanted a business that gave him face time with customers and a sense of community service. Now Mr. Grace is poised to open a franchise from **ServPro**, a Gallatin, Tenn., residential and commercial cleanup-and-restoration chain.

"I'm about to make one of the biggest decisions in my life, and having Mike around is the difference between jumping into something with your fingers crossed or feeling confident that you're doing the right thing," says Mr. Grace.

As the franchise market heats up, demand for these consultants, also known as brokers and coaches, is booming. Many new owners, like Mr. Grace, say they got excellent guidance from their adviser—but there are important caveats for prospective clients to keep in mind. At the top of the list: The consultant is working for the franchiser as well as the franchisee.

Even though many consul-



A franchise consultant helped Melissa Shaffert get into pet grooming

Melissa Shaffert

tants aren't on a franchiser's payroll, the franchiser ultimately foots the bill for the consultant's services. Usually, franchisers pay consultants a percentage of the franchise fee that new owners pay when they sign on. Those fees typically range between \$20,000 and \$100,000, depending on the industry, with anywhere from 20% to 40% going to the consultant. The prospective franchisee doesn't pay anything.

Another consideration: Many consultants develop a network of franchisers they've worked with, and sometimes present *only* those brands to clients—whether they're the best fit or not. And the risk of bad matches rises as the field gets more crowded and

consultants try to close more deals to stand out, says Dan Martin, chief executive of **IFX International Inc.**, a franchise-consulting firm in San Diego. There are about 900 franchise consultants in the market, with 15 to 20 more joining every month, according to the Franchise Brokers Association.

Still, Mr. Martin says, reputable consultants will look for a match that is best for both sides. "The integrity factor is a huge component," he says. "A franchise consultant will have a portfolio of brands, but is searching for the best lead for those brands. In representing a client, they're going to gauge the appropriateness of that client for a

specific brand."

Trying to score a quick payoff by selling a client on the wrong brand—or sending a bad client to a franchiser—risks burning a source for future clients and ruining your professional reputation, Mr. Martin says. Many franchisers, he says, rely heavily on consultants to prescreen budding franchisees.

Many prospective buyers start out suspicious of the dual role consultants play between franchisees and franchisers—not unlike how a real-estate agent often represents the interests of both the buyer and the seller, and is paid by the seller.

Melissa Shaffert, for instance, had never heard of franchise consultants until she started searching for pet-related franchise opportunities online.

"It kept popping up in the searches. I thought it was just someone trying to get my money," she says.

But she decided to take the plunge because of her lack of experience in the field. "I'm an English teacher, not a businessperson," says Ms. Shaffert.

Right off the bat, she says, the consultant "became my personal business coach," spending long hours on the phone with her—often after 9 p.m., when her children were in bed.

Over time, the consultant helped steer her away from a pet-hotel chain and into a mobile pet-grooming business—one that wasn't in his portfolio—based on an evaluation of her resources and availability.

After she decided to buy into **Aussie Pet Mobile**, Ms. Shaffert says, the consultant attended meetings set up by the company to help her better understand the business, went over the paperwork with her and is now helping her find an accountant.

"I would've paid anything to have him by my side," she says.

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