

# The Pepsi Ultimate Taste Challenge 2012: Social Enough?



## FRANCHISING WHAT IS IT?

The creation of a distribution channel to build brand identity and attain market dominance... QUICKLY!

### Franchises give you...

- A license to use
  - Name and Trademarks
  - Products
  - Business Systems
- In exchange for:
  - Initial franchise fee
  - Ongoing royalties

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## GOVERNMENT DISCLOSURE FRANCHISE DISCLOSURE DOCUMENT

### Franchise Ads

- Start Accounts
- Business experience
- Background
- Lifestyle

### Costs

- Start-up expenses
- Payroll
- Other fees
- Working capital
- Royalties

### Franchise Agreement

- Obligations for Franchisor & Franchisee
- Territory
- Length and Control of Franchise
- Control, Business
- Real Estate
- Marketing, Sales
- Financial Statements
- Management
- Renewal, Extension & Transfer Rights



## TOPICS FOR DISCUSSION

- Overview of Franchise Business Model
- Myths & Realities of Franchising
- How to Find Your Fit
- Minimizing Risk via Research

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## OTHER CONSIDERATIONS

- A decision that takes more than 60-90 days and serious research requires \$10-25 thousand up front
- Participation needs to be supportive
- You need some investment capital. Ideally around \$25K and be able to support your personal continued for 18-24 months
- You have created a partnership agreement with professional assistance (attorney, CPA) (joining the business with a partner)



Plus You Should Know... the Franchise Model is a complex one and you should always consult with a professional attorney and an accountant for the best advice.

PROFESSIONAL RESOURCES

- Franchise Consultant
- Franchise Attorney
- Accountant



## FRANCHISES AREN'T ALL THE SAME MAKE SURE IT'S A GOOD FIT FOR YOU!

- Many Units vs. Fewer Units
- Mature vs. Emerging
- Structured vs. Flexible Systems
- B2B vs. B2C
- Big franchisors allow the percentages because they had few failures
- Not all units are still run by the founder
- There are no average franchises
- You should only care about your success



### WHY OWN A FRANCHISE?

There are many reasons why you should own a franchise. Here are some of the most common ones:

- Proven Business Model
- Established Brand
- Marketing Support
- Training and Ongoing Support
- Access to Capital
- Economies of Scale
- Reduced Risk
- Flexibility
- Location Advantages
- Competitive Pricing
- Customer Loyalty
- Industry Expertise
- Strong Support Network
- Proven Products/Services
- Established Customer Base
- Access to Suppliers
- Regulatory Compliance
- Intellectual Property
- Proven Management Team
- Strong Financials
- Experienced Staff
- Proven Marketing Strategy
- Established Relationships
- Access to Technology
- Proven Operations
- Strong Reputation
- Access to Talent
- Proven Business Plan
- Established Partnerships
- Access to Resources
- Proven Business Model
- Established Brand
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- Proven Business Plan
- Established Partnerships
- Access to Resources



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FRANCHISE CONSULTANT

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## ADVANTAGES

- *A proven, time-tested business model that works*
- *Predictable future results*
- *Attractive to lenders*
- *Transparent due diligence process with the franchisor and existing franchisees*
- *Recognized brand name and turn-key operating systems*

## DISADVANTAGES

- *An seemingly endless and overwhelming number of concepts to choose from*
- *Paying a franchise fee*
- *Royalties*
- *Reporting, compliance, and mandatory attendance for training, annual conferences, etc*

# MYTH #1

## ONLY FAST FOOD AND RETAIL.

- *Over 3,100 different franchise companies*
- *In more than 80 industries*
- *With over 900,000 operating units*

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# MYTH #2

## FRANCHISES SUCCEED BECAUSE OF PRODUCT QUALITY.

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*Example:*

- *Can you make a hamburger?*
- *Is your hamburger better than McDonald's?*

*If it is not the product than what is it? It's about the Business System.*

*Marketing // Sales // Operations // Accounting*

# MYTH #3

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## SUCCESSFUL FRANCHISES EMERGE IN A NEW INDUSTRY WITH NO NEW COMPETITORS.

*Successful franchises emerge from well established industries by creating consolidation.*

- It's The System*
- McDonald's started when there was a burger joint on every corner*
- More recent examples are in Consumer and Business services*



# MYTH #4

## FRANCHISES ARE EXPENSIVE.

<i>Average Initial Investment Range</i>	<i>Percentage</i>
<i>Under \$50,000</i>	<i>13%</i>
<i>\$50,001 to \$100,000</i>	<i>17%</i>
<i>\$100,001 to \$250,000</i>	<i>28%</i>
<i>\$250,001 to \$500,000</i>	<i>23%</i>
<i>Over \$500,000</i>	<i>18%</i>

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