

Franchises - They're not just for doughnuts anymore



Left: Young Rembrandts franchisee owner Elizabeth Leitko oversees an art class at the Our Lady of the Angels School last week. T&G Staff/Steve Lanava
Right: Young Rembrandts art instructor Betty Bryson works with students at the Our Lady of the Angels School last week. T&G Staff/Steve Lanava

By Amanda Roberge, Correspondent

The franchise business model has long been associated with fast food. Franchises, which are locally owned but whose owners buy licenses to use a regional or national brand, have in recent years been entering other business sectors. There are franchises for dentist's offices, landscaping services, housekeeping, child care, business consulting and even resume writers.

According to the U.S. Department of Commerce's International Trade Association's 2016 Top Markets Report, franchise businesses continue to grow faster than the rest of the U.S. economy, and The Franchise Business Economic Outlook Report, released in January, said that for the past five years, the average annual job growth in the franchise sector was 2.6 percent. That was nearly 2 percent higher than all businesses economy-wide.

According to Evan Hackel, whose consulting company Ingage is based out of Woburn and specializes in franchisor/franchisee relationships, the upswing in the franchise business model is very much related to the drive to rebound from the 2008 recession.

For many people who were let go from their jobs during that time, franchising has been the answer in their search for an alternate form of making a living, one that allowed them to earn as much, or more, than they had in their previous job.

Older employees who had some savings, along with decades of experience in a given field, were the real driving force, he added, as they were often faced with the possibility of having to step down a level or two in their field, with a correspondingly smaller paycheck. Franchise ownership allowed those workers to hire not only themselves, but sometimes 5 to 15 employees as well.

The second piece of the puzzle as to why franchising has “led the industry,” he explained, is that doing business in an age of technology, best practices and branding requires a different level of knowhow. Franchising specializes in providing business owners with the “playbook” they will need to succeed.

That playbook was at the core of the appeal for Auburn’s Steve Gallant, who for nearly 20 years ran Steve’s Lawn Service. In 2012, he decided to enter into a franchise agreement with The Grounds Guys, which has 180 franchises around the country. At age 67, he said, he was looking for ways to become more of a leader, and less of a laborer.

Building on the strength of the relationships he’d nurtured through his many years of service to the local community, becoming a franchisee gave him access to business-side help.

“I have been getting help with the back end of the business, and meeting with consultants to help me figure out where the profit is,” he said. “Most guys in this field are good at landscaping, but not as good at business.”

In some business circles, the notion of a franchise is still very much a calculated risk, with pros and cons to consider. You don’t need to look any further than the state’s two most popular coffee shops to see that it can work both ways, and work well: Each Dunkin’ Donuts location is owned by a local franchisee, while each Starbucks is owned by its corporate parent.

While agreements vary widely, a typical franchisee can expect to pay an initial one-time franchise fee, plus a percentage of sales revenue as royalty, in exchange for immediate name recognition, tried-and-tested products, standard building design and décor, detailed techniques in running and promoting the business and training of employees, and ongoing help in promoting and upgrading products.

This model varies only modestly from a chain-style business model, where the parent company retains ownership of all locations. But Ingage’s Mr. Hackel said the franchise model can mean a world of difference in a business owner or manager’s motivation to succeed, given the amount of skin the franchisee has in the game. In chain organizations, each branch is managed, but not owned, by the individual in charge.

While the franchise model brings benefits to business owners — in designing a website, and access to conferences and seminars throughout the year — many consumers still battle some grave misunderstandings about the model.

“One of the biggest misconceptions is that someone in your community who owns a franchise is not a small, local business owner, when in reality, that’s exactly what they are,” said Matt Haller, senior vice president of the International Franchise Association, based in Washington, D.C.

Some business owners in the Worcester area have found franchising as a pathway to success. But it comes with its drawbacks as well.

“I kind of cringe when I hear the word ‘franchise,’” said Elizabeth Leitko, owner of children’s art class franchise Young Rembrandts. “It makes me think of McDonald’s. But what it means to me is that as I grow my business, someone always has my back.”

Though Ms. Leitko once worked for the franchise in Oregon, where it was much more prevalent and recognized, it never occurred to her to go out on her own once she moved to the East Coast. She was able to use the brand, and the support of her franchise, to her advantage.

“I was asking schools and parents to take a leap of faith with this program,” she said, “and I was able to show them that it was trustworthy and viable; that on the West Coast, it was synonymous with art classes for kids.”

Consumers, it seems, may have a few preferences of their own. Where a consumer might, in the past, have asked a neighbor for advice on hiring a plumber or finding a new dentist, there are now web- and phone-based services to connect customers with reliable businesses. Franchises can calm consumer fears about unreliability.

“If you need a plumber, and the choice is between an unknown guy who may or may not do a good job, and Mr. Rooter, who you know has a proven track record, who are you going to choose?” asked Mr. Hackel, the consultant who specializes in building franchise relationships. “I know what my choice would be.”

One of the bigger advantages of the franchise model is management seminars, conferences and training sessions offered throughout the year to help business owners gain insight into proven growth methods.

“It made sense for someone like me, just starting out, to join forces with an established, well-respected company that already enjoyed a large percentage of the music education market,” said Pepperell resident Stacey Thompson, who owns a Let’s Play Music franchise, and has been trying to break into the North Central Massachusetts market, after enjoying success in her former hometown out West. “The benefits are many, and when I was new, they were invaluable.”

Other small business owners found that a franchise was not the way to go.

Eric Laundry, of Leominster, opened Fusion Fitness two years ago, after managing gyms that were part of chains and franchises for much of his early career. The very benefit to owning a franchise — brand recognition — was exactly what he wanted to avoid.

“When you are part of a franchise, you live or die by that name,” he explained. “I wanted to make a name for myself — to take what I learned, and make it my own.”

In an industry that makes its profits on volume, he added, it was important to him as a business owner to know his consumers on a personal level. Getting wrapped up in the best practices of a fitness franchise, he said, would have taken away his freedom to make decisions about how to run the show.

And for him, the decision was the right one. His gym has survived, and even thrived, during those first two critical years during which many gyms fail, he said.

But for the most part, said Mr. Hackel, “Franchises are generally perceived by most people as positive.”

Mr. Gallant, though fully immersed in The Grounds Guys culture, still considers himself a small business.

“When people call the number on the website, they get a hold of me,” he said. “I still pride myself on the same things I always did — being available to my customers has always been important to me.”