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Franchising Fenzy

By Eve Tahmincioglu



Lately I've been hearing from a lot of people whose disenchantment with corporate America has them dreaming about entrepreneurship and who think the easiest road there is via franchising.

Well, it's time for a reality check. While it's easier than starting a business from the ground up and doing all the marketing, promoting and selling on your own, it's rarely just a turnkey

operation that runs itself.

Just ask Jon McIntosh, who spent 30 years in the banking industry and was downsized five times during his career, most recently from Charter One bank, and decided to become a franchisee last year. He now works way more than he ever did when working for The Man. "I thought I was working a lot of hours in banking, around 50, but now I work 60 to 70 hours a week," he explains.

McIntosh, who lives in Loveland, Ohio, bought a BrightStar home health care franchise late last year with personal savings and now has 25 part-time workers and a full-time director of nursing. He had a goal to break even at the six-month mark, but has yet to hit his target. "I knew what my business plan was, but the economy has changed everything," he explains.

Despite the hurdles, he feels confident he'll be profitable soon, but he admits there are a few things he would have done differently. At the top of the list is securing funding earlier for his business, because once the economy tanked, getting lenders to open up their wallets became a tough go.

"Make sure you really understand what you're committing to," advises McIntosh. "Be prepared to really be immersed — and you'll have to do whatever it takes. You're risking a lot on your endeavor, so you can't do it haphazardly."

Indeed, a franchise business should be looked at just like any other business and is not immune to economic ups and downs.

Here are some things to keep in mind before you start a franchise:

- **Franchises don't come cheap.** The cost can start at \$15,000 for small, home-based operations, and go well into six figures for more established chains.

- **Don't break the mold.** If you want to create your own business model, then franchising may not be for you, because you'll likely have to follow a rigid framework for how the business should be run.

- **Watch out for scams.** Do your due diligence when choosing a franchise, because the industry is rife with scammers and default rates are at about 25 percent, according to recent data from the Small Business Administration.

If the opportunity is right, take the plunge

Bearing in mind the above considerations, going the franchise route can still be a lucrative and rewarding entrepreneurial option, says Joel Libava, president of Cleveland-based Franchise Selection Specialists Inc.

Libava recommends the following before you sign on the dotted line:

- Have funding to cover you for the first year or two.
- Talk to other franchisees, past and present.
- Review the Franchise Disclosure Document that includes all the financials on the company.

Libava also believes you should find a franchise that fits your skill set and involves something you'd actually enjoy doing. It needs to be something you can commit your heart and soul to working at every day.

Staci Deal found just that when she decided to open up a Plato's Closet in Fayetteville, Arkansas, in May 2008. The 23-year-old is studying fashion and had heard about the teen-targeted used-clothing franchise from a friend who owned five stores in Indiana.

With help from her father-in-law, who put up the money to buy the franchise, Deal is on track to make over \$1 million in sales this year. She opened a second location in Rogers, Arkansas, and now has about 20 employees.

Deal believes her success in operating the franchise has to do with one thing: "I love fashion."

So if you've got the passion for a franchise, the proper financing, and you know it's a sound deal, maybe it is for you. Let me know in the discussion area below!

Known online as Careertiva.net, Eve Tahmincioglu is the author of "From the Sandbox to the Corner Office," an in-depth look at top U.S. CEOs and the lessons they learned on how to succeed in business, as well as a career columnist for MSNBC.com.

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