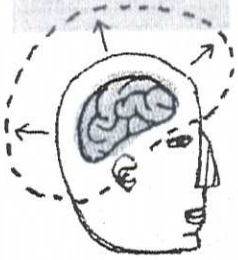


**Create the company you want**  
*(It starts with visioning)*

Page 84

**Inc.**

The Magazine for Growing Companies



# Inside the Minds of Great Entrepreneurs

*How they spot opportunities. Why they go for broke* Page 54

Special Report

## Our way or NORWAY?

Business booms in the land of sky-high taxes. Really. Here's why.

Page 62



Simen Staalnacke, Peder Børresen, and Jan Egil Flo, co-founders of Moods of Norway. The \$35 million clothing retailer has saturated the Norwegian market. Next stop: Mall of America

#BXBCGGT \*\*\*\*\*CRR-RT LOT\*\*R-013  
 #ICM009124953/4\* APR11  
 JAS INC ABBA FEB11 0027 #509 #116518  
 DAVID CHAPMAN  
 102 AVANT FERRY RD  
 HOLLY SPRINGS NC 27540-8918



## **Finding the Perfect Fit:** How Franchisers Select Franchisees

by Mark Henricks

A look at how franchisers select potential franchisees reveals surprises. For one thing, although franchisers want people who can start and grow small businesses, they're not looking for true entrepreneurs. "If a person is too entrepreneurial, they should not even consider a franchise investment," says Kevin B. Murphy, a franchise attorney and director of operations for San Francisco-based consulting firm Franchise Foundations. "The true entrepreneurs have a way of operating a business themselves. They will not do well in a franchise environment that dictates how operations will be done on a virtually day-to-day basis."

Many franchisers prefer someone with a corporate background who is accustomed to taking direction from above. "People that like to follow directions will do well," Murphy says. "If somebody has a military background, for example, that's an ideal profile for owning a franchise."

Background is far from the only thing franchisers look for, of course. Financial strength is on top of most lists. After that, franchisers often emphasize skills and experience.

Others stress passion. But no matter what precisely they're looking for, most franchisers today have little trouble identifying candidates.

"There's a huge supply right now," Murphy says. "People are either being laid off or downsized and they realize they're not going to get another job doing what they did before. It's a significant percentage of our population right now. And for many of them, the question is, 'Are you going to start your own business or are you going to buy a franchise?'"

At School of Rock, the question for many potential franchisees is whether they get what the Teaneck, N.J.-based music education franchiser is all about. "Of course you need to have a certain amount of income and net worth, the same things everybody measures," says CEO Chris Catalano. "But I put a lot more weight on somebody who wants to be involved in our business, who understands our purpose."

School of Rock's purpose is to remake music education from a regimented course of instruction into a fun, informative

opportunity to make music and friends. "Ours is a performance-based education system," Catalano says. "Kids learn through doing in our program. They're cast immediately into a show and we play songs that are inspiring instead of something like 'The Blue Danube'."



Catalano also asks franchisees to pass a background criminal check because they'll be working with children. And he's looking for people who enjoy being actively involved in their communities. "We like to see that they've run businesses before," he adds, "because that helps."

What helps franchisee like School of Rock is that it's something different and doable. "We're not an extremely expensive franchise," says Catalano. "You can achieve it at moderate income levels. If you like music and you like kids and you have cash and you want to get into a business, it's a lot more fun than making burgers. Basically, that's what drives interest in our brand."

While the company employs a variety of recruiting tools, many of its franchisee candidates find their way to School of Rock without much marketing effort on its part. "Our best source is parents who have kids in our program," says Catalano. "They become interested because they love what we do, and we've made such an impact on children."

School of Rock has 67 locations in cities from Los Angeles to Austin and New York to Seattle. "We are spread all across the country," Catalano says. "The largest density is on the East Coast, but we have huge gaps." Target markets as they open an The franchiser expects to open 15 to 20 new locations over the next year in such target markets as the West Coast, Texas, and Nashville. "But we don't turn somebody away if they're a good partner and have a location that's viable," Catalano adds.

For Express Oil Change, the most viable candidates are not necessarily those with experience in the 10-minute oil change business, or any aspect of the automotive field. "Like all franchise companies, the person has to be financially qualified,"

says Jerry M. Perch, director of franchise development for Birmingham, Ala.-based Express Oil Change. "Assuming the person is financially qualified, we are not looking for a mechanic or someone to work on vehicles. We're looking for someone who, with proper training, can manage a million-dollar business. Most of our franchisees to date are white-collar people — engineers, bankers, or people who have owned a small business and are looking for something bigger."

From the franchisee's perspective, Express Oil Change presents an opportunity to build wealth in addition to generating income. That's because the company's approach calls for franchisees to own the buildings and prime commercial lots they operate out of. "So 15 or 20 years down the road, the exit model includes not only selling the business but also the prime commercial real estate and the building," Perch says.

Express Oil Change has 176 stores and plans to open another 10 within the next year. Both totals include sizable numbers of corporate-owned locations. Those are typically in the Birmingham area, with franchising growth occurring outside Alabama. "We've been strong in the South and Southeast," Perch says. "We're now growing toward the Northeast, Midwest, and the West."

Houston tire dealer TIREMAX has plans to grow almost everywhere, according to President Christopher Wilkerson. The company expects to add 50 to 70 new franchise locations in 2011 across the U.S. Currently, they have 25 locations in Texas and Colorado. Opportunities include both start-ups and area development agreements.

The new TIREMAX franchisees will be selected on the basis of their financial strength, management or similar business experience and "entrepreneurial drive to be successful and growth with TIREMAX," Wilkerson says. To franchisees, TIREMAX offers room to grow with a company that has nationwide ambitions and operates in a recession-resistant field where its buying power gives franchisees attractive margins. The U.S. retail tire industry moves about \$30 billion worth of tires each year, he notes, and dealers are benefiting from growing sales as automobile owners extend the period of time they own their cars.

For consumers, TIREMAX offers "a unique buying experience, second to none customer service, very clean and comfortable showrooms, courteous and educated sales staff, 110 percent price guarantee, fast service in 30 minutes or less for new tires, vast product offering in stock," according to Wilkerson.

TIREMAX was founded in 2000 with the goal of bringing consumers an unparalleled tire shopping experience featuring attractively priced name brand tires, high-quality customer service and an emphasis on customer education. The facilities are designed to impress, with spotless service bays and visually arresting showrooms that include contemporary architecture and expansive, spotless windows. The deluxe waiting rooms provide free WiFi Internet access, wide screen plasma televisions, gourmet coffee, Cappuccino, and lattes. Combined with its well-trained and committed staff and value pricing, Wilkerson says, TIREMAX offers consumers a convincing alternative to other tire dealers.

Potential franchisees who enjoy working in a white-collar home-based business may find a match at The Interface Financial Group, says David Banfield, president of the Bethesda, Md., franchise that provides invoice discounting to small businesses. "The monetary aspects are very positive," he says. "And, being home-based, you don't have the commute, and you're not going to travel all around the world at somebody else's behest to do business."

Banfield looks for potential franchisees with good communication skills and the ability to make decisions and solve problems. "For us, the foundation item is that they have a solid business background," he says. Interface Financial Group has 160 franchise locations in the United States and six other countries. "In 12 months that 160 will be in excess of 200," Banfield says.

Todd Beckman considers financial strength as the most important franchisee trait at MassageLuXe, a chain of high-end massage therapy spas. "Banks are not lending like they have in the past, especially for new start-ups," explains Beckman, president and CEO of the Fenton, Missouri-based company. Other traits MassageLuXe is looking for include management experience, business acumen, and sales and marketing skills.

Beckman plans to grow MassageLuXe from eight locations in St. Louis and Virginia Beach to 40 to 50 new locations in major metro areas by 2012. "More and more people today are conscious of their health and well-being," Beckman says. "MassageLuXe is a concept that fits well into this mentality."

Many franchisers have responded to the recent downturn by changing their ideal of the perfect franchisee. One of those is Popeyes Louisiana Kitchen where Ralph Bower, chief operating officer of the Atlanta-chain of quick-serve chicken restaurants, says they've added prior restaurant experience to the list of traits they seek. "We wanted to make sure in this tough

economy we had only the strongest candidates because we wanted to make sure they'd be successful," Bower says.

Popeyes offers franchisees a high-sales volume restaurant opportunity and a reputation for customer loyalty. The company has 1,949 restaurants in nearly every state and more than two dozen foreign countries. Its biggest markets are New York, Houston, Chicago, Los Angeles, Atlanta, New Orleans, and Washington, D.C. Over the course of the next five years, Popeyes expects new unit growth in the range of 4 to 6 percent, according to Bower.

Experience in the hair care industry is not something potential franchisees need to be welcomed at Minneapolis-based Regis Corp., franchiser of such brands as Supercuts. "At Regis, we look for people with business experience, financial strength and understanding, an entrepreneurial spirit, an ability to be involved, and an enthusiasm for the brand they've chosen," says Alan Storry, vice president of franchise development for the Minneapolis franchiser.

While consumers come to franchises like Supercuts for hair care, franchisees are looking for opportunities with strong name recognition and demonstrated recession resistance. "At Regis, we have enormous strength behind our brands," Storry says. "Franchisees have a powerful business support system ranging from real estate and finance to marketing and management," he adds.

Supercuts has more than 2,120 corporate and franchised Supercuts locations in the United States, Canada, and Puerto Rico. Storry says they'll look for franchisees to open 100 new locations in the next year across the U.S. and Canada, including target markets like Los Angeles, Boston, New Jersey, and others.

While looking for franchisees could be a relatively easy proposition for franchisers in the near future, at least while the economy and employment recover, franchising consultant Murphy says it still won't be completely straightforward. That's because every franchise opportunity has different and sometimes shifting requirements, and potential franchisees don't always fit into neat categories.

Franchisers may know they don't want maverick entrepreneurs and they do want people who can follow orders, but they won't always find exactly what they're after. "Somewhere in between the true entrepreneur and the military person is where most people happen to fall," Murphy says. "They're usually not only one or the other. That's where it's really a judgment call."