

The Secret Roadmap to Franchise Success, from Startup to Sale – A Blueprint for Growth Into a Multi-Billion Dollar Business

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There are lots of reasons people want to become franchisees. They want more than they have now – more options, more control over their own destiny and, most importantly, become financially independent. The largest and most successful franchisees focus on continually reinvesting the profits from that first location into another, then another, compounding their returns until generational wealth is built, a concept we at Fransmart call “blitzscaling.”

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The ‘why’

The “why” behind franchising a business is the same as for franchisees – to become wealthy. You leverage other people’s capital and hands-on local touch to prove and grow a brand in a different and larger footprint by increasing the number of franchisees with a large number of units.

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How do you build a franchise system so successful that someday someone will pay you \$1 billion for? Easy, it's all about the success and size of your franchisees and the confidence the buyer has that the company will continue to grow organically – because the most profitable franchisee is an existing one that opens more locations.

While it's certainly true that a business owner can start franchising after owning and operating multiple locations on his own, we've helped create a franchising business based on just an idea. JARS, a fast-casual dessert concept from celebrity Chef Fabio Viviani, is one example we're growing now with corporate and franchise locations opening nationally. Halal Guys only had food carts in New York City when we started with them – now, it's a \$100 million-plus global chain.

The start

My first questions when talking with a potential franchisor are always, “What's your big idea and who cares?” Depending on the answer and the unit-level financials, franchising could be the worst or best option. The big idea has to be something completely new, or a new take on something that already exists. It has to be special and different, and the customers need to love it. The Halal Guys carts had lines down the block in New York City before we even entered the conversation.

A service provider has a different challenge. If you are looking to franchise dog walking or lawn mowing, for instance, there must be something unique, special and different about what you are doing, and the proof must be in the numbers. Customers vote with their wallets – if the numbers aren't strong, it's because customers don't like it.

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Early tips

Legally establishing the franchise is not particularly hard, but franchising is a business of systems, processes and procedures around a successful model. If you don't have those, franchising is the worst idea in the world.

Franchising to raise capital to bail out an existing business is an immediate red flag. If the basic business can't be profitable on its own for the founder, it won't be for the franchisee. Look closely at the unit-level numbers, they should be better than the existing competition.

Remember, the only reason to buy a franchise is to get wealthy – I want to be convinced that I can make so much profit that I would want to open more locations and compound my investment into a large company I can sell for a life-changing amount. Of course, the systems need to be in place, but I would check with existing franchisees to make sure the systems work, and they are so profitable that they want to open more locations. The easiest way to grow the concept is to continue to sell to existing franchisees who want to grow themselves because they're so profitable. Blitzscaling, as mentioned above, works best when a concept is new, especially in service, retail, and restaurants.

There is no money in single-unit franchisees and the worst thing you can do is start franchising and then realize it was a mistake, because then you are in quicksand with contractual obligations to perform for the franchisees.

If existing franchisees aren't opening more locations, run for the hills. If you try to sell your company someday, the first thing the buyers will look at is the development schedule

integrity rates and gauge how many existing franchisees are opening more locations. Whether you have 100-single unit franchisees spread around the country or 10, 10-unit franchisees in clusters – and the numbers are good enough that those 10-unit franchisees will keep growing – a buyer assumes this trend will continue. There is no money in single-unit franchisees and the worst thing you can do is start franchising and then realize it was a mistake because then you are in quicksand with contractual obligations to perform for the franchisees.

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Now, go grow

Now, assuming you have the right concept, right unit economics and the right priorities, the next step is to get the right franchisees in the right locations. Add the right team with the right compensation incentives and the right marketing and a reliable supply line so the train runs smoothly.

When I am looking for the best possible franchisee, I look for existing successful multi-unit franchisees of other concepts looking to expand with non-competing franchise brands. These are your best and highest chance for success because they have already decided to be self-employed following someone else's system, and after they opened and realized the business wasn't an ATM machine, they open another, and another.

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The second most successful franchisee is a higher net-worth franchisee with the capital to execute a large territory. If

they don't have the right experience, you have to make sure they come to the table with the right operating partner. This operating partner should have already successfully opened 5+ new units of a concept in a similar space, trained and promoted at least 3 managers, and have an aligned compensation plan keeping the team focused on running these franchises so successfully that they enable "blitzscaling."

As you look for new franchisees in the retail and restaurant sectors, picking the right real estate is vital. The best marketing for restaurants and retail is real estate, not marketing tactics.

At this point, a Franchisor isn't even in the business of the concept anymore. They are in the business of making their franchisees so happy and successful that they maintain the right focus and want to keep reinvesting in the business. Success for the Franchisor comes only after the success of the franchisees – more fees, more royalties, buying more territories, referring other franchisees, and the buzz/press that generates more leads. The Franchisor is getting wealthy by helping franchisees get wealthy; it's the only way franchising works. As Halal Guys proved, we can grow brands really big, really fast to become national names on the funds that come in from franchisees.

That's also when you develop great loyalty. Franchisees who are doing well care about the brand and help other franchisees to do so. That helps the Franchisor's concept – that intellectual property – expand beyond their wildest dreams. A company that can say it's national is worth two or three times more than regionals, should the founders ever want to sell. That's the beauty of being a Franchisor.

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