

January 13, 2012

Franchisers make their pitches at Franchise Expo South show

From Arby's to Ziebart's, more than 200 exhibitors will pitch their products to potential investors later this month when the Franchise Expo South rolls into the Miami Beach Convention Center.

The expo comes at a time when the International Franchise Association is forecasting a slight uptick in franchise growth this year after three years of decline.

Still, that predicted 1.9 percent increase in growth won't be enough to offset the 4.6 percent decline the industry suffered between 2008 and 2011 as the economy fell into, and then dug itself out of, a recession.

The franchise industry currently has a lot to overcome, including tight lending, uncertainty about payroll taxes and challenges surrounding health care reform.

Despite those challenges, franchising is seen by many who have lost their jobs in the corporate world as a way to re-enter the workforce and perhaps lead the charge toward economic recovery, noted Tom Portesy, president of expo producer MFV Expositions, who has been involved with putting on franchising expos for 25 years.

"We have seen the dips and the gains, and I believe we are in a very unique time in this country and in small business development," he said. "We are at a point as a nation where we understand that big business won't get us out of this. Every small business that opens will add jobs."

The IFA's report forecasts that there will be nearly 14,000 new franchise establishments in 2012 – adding 168,000 jobs and \$37 billion in economic output.

When people think of franchising, McDonald's, Burger King, Dunkin' Donuts and Subway are generally top of mind. But franchising touches just about every industry. Startup costs range from a few thousand dollars to a few million dollars.

"Regardless of the investment level or industry, there is a franchise," Portesy said.

Low-cost franchises

Of the top five low-cost franchises for 2012, according to Entrepreneur magazine, three are home-based businesses related to cleaning: Stratus Building Solutions, CleanNet USA and System4.

Dance exercise company Jazzercise and tax preparer H&R Block round out the group.

Some of the most expensive franchises include Hampton Hotels, Days Inn and McDonald's.

At the franchise exhibition, exhibitors pay \$4,500 to participate and potential franchisees pay \$10 for entry. The expo allows would-be franchisees to meet face-to-face with companies, ask questions and sit in on a lot of seminars.

One of the biggest mistakes potential franchisees make is to approach buying one like they would buying a car, said Keith Kanouse, a Boca Raton franchise attorney.

"They don't hire an accountant or do a business plan," he said, warning: "Unless it's a proven concept and other franchisees are happy, it could be a flash in the pan."

Another challenge for many is finding the capital to invest. Banks still aren't lending and, while the U.S. Small Business Administration has a list of franchisees that are approved for funding, those looking for funding still need to meet certain requirements including good credit.

"The key to finding the right franchise is to match your skills with something you can afford," said Cliff Fostoff, a Boynton Beach-based franchise consultant.

He urges many of his clients to look at franchises that don't require brick-and-mortar locations, such as coaching businesses, temporary staffing, senior care, and handyman and painting services.

Although food franchises comprise a large segment of the industry, Fostoff said he often discourages clients from entering the business.

"I know people who bought a franchise because they liked the food," he said. "If you like the food, just eat there."

THE DETAILS:

Franchise Expo South

- When: Jan. 20-21: 11 a.m.-5 p.m.; Jan. 22: 11 a.m.-4 p.m.
- Where: Miami Beach Convention Center, 1901 Convention Center Drive, Hall C
- Cost (for exhibits only on multiple days): \$10 by 5 p.m., Jan. 19; \$15 on site
- For more information: www.franchiseexposouth.com