

SHOULD YOU START A BUSINESS DURING A CRISIS?

What Franchise Category Makes Sense?



We hope by the time you read this the United States is moving towards a new normal whatever that might be. Many of you have lost your job, been furloughed or have been asked to take a significant pay cut. We have not seen unemployment numbers like this since the “Great Depression.”

What will you do to put a roof over your head and food on your families’ table? Another j.o.b. (By the way that stands for Just Over Broke)? If you get that job, how long will it last until you’re downsized, your position is eliminated, or your company is acquired and your “new boss” tells you how lucky you are to still have that job.

While the economy was racing at a record pace and your 401k or IRA was supersized, life was good. You went on vacation, bought a new car, got that remote cabin you had always thought about and that new Harley or R.V. that you thought would look cool sitting in your driveway.

The days of working for one company for 30 years, getting that gold watch and pension started evaporating in the late 80’s. Your work histories are 4 years here, 3 years there and it goes on and on like that on your resume that won’t fit onto 3 pages. Even during “The Best of Times” you have down times between those j.o.b.’s. We get tired of asking people how much time do you have left on your severance package?

What other options do you have?

- Do same thing and expect different results.
- Buy an existing local business.
- Take on contract work.
- Start a business out of your home and work it on your off hours and keep your day j.o.b.
- Invest in real estate and become a landlord.
- Look into the world of franchises.

Franchises? Why would I do that in this environment? Many of you can’t and some of you won’t. Some reasons are real, and some are not.

SOME REAL REASONS:

My significant other won’t let me.

You don’t have the Moxy and grit to do it and deep down you know it. If you can’t admit it your significant other will do it for you.

You rely on your circle of influence to guide you through life and they scare you telling you that you are a fool and you will fail.

You have saved no money (at a minimum, you will need \$25-\$35K) and your credit score is lower than 650. If you don’t know, this free service won’t ding your score to check: www.creditkarma.com.

SOME UNREAL REASONS:

Franchises are bad.

Truth: 20-60-20 rule. 20% soar with the eagles, 60% in the middle trying to become an eagle. The other 20% are not ready for prime time.

The on-going fees make the franchisor rich and leave me with nothing.

Truth: 773,000 plus franchise locations exist in the U.S. 20-60-20 rule applies here with the franchisees.

My next-door neighbor tried a franchise and lost his shirt.

Truth: If we spoke to your next-door neighbor some or all the following happened. They selected one of the brands on the bottom or put a feeble effort into validating with existing franchisees, building out an Excel Spread Sheet based on those conversations, went in under capitalized and did not factor in a reasonable ramp up time to cash flow or did not follow the sales, marketing and networking program the franchisor laid out.

WHAT THE NEW NORMAL WILL LOOK LIKE:

- An explosion in small business ownership that we have not seen since 2008.
- An ample work force of employees. Let us say that again. Reliable hard-working people and YOU the employer will have the “best choices” you have had in decades.
- Less commuting as more and more people become comfortable with working out of the house.
- Many brands offering expanded delivery and “to go” services and offering an app.
- Essential services and Recession Resistant or Recession Proof franchise brands leading the pack in popularity with great success stories.
- More real-estate locations available at more reasonable prices than we have seen in 12 years.
- More husband and wife teams will both be working to recover from the downturn. They will contract with businesses to do certain things for them they don't have time to do.

There are two types of franchise business models. 1) Businesses that require your full-time attention. 2) Businesses that allow you to keep your day job and run something on the side – “get your side hustle on.” The idea here is to over time get the business cash flowing to a point that it has replaced your current salary. You must be able to empower a manager to run the day to day operations who reports directly to you. The franchisors tend to downplay your week to week hour commitment to be verified in your investigation process.

BULLET PROOF CATEGORIES:

The global outbreak has caused an upheaval in the stock market and disrupted supply chains around the world. But we all have to remember that not all of these challenges are devastating or unconquerable challenges. Here's a sample of some businesses and industries that look to perform well.

Disaster Restoration Companies - There are 14,000 water damage claims in the U.S. every day. These will continue to happen regardless of the economy. You do not have to have an event like Sandy for these brands to flourish. Pipes will break, sump pumps won't pump with no electric, hoses will break or leak on washing machines

and dishwashers, toilets will break and overflow and ice damming will continue. Many of these companies will also do mold and mildew extraction and when the foreclosure ban is lifted there will be plenty of homes changing hands. Home inspections will be on the rise and these types of problems will need to be eradicated. These companies are also doing disinfecting of all kinds of small and large businesses to get re-opened. These types of deep cleaning procedures will be more frequent moving forward.

In Home Senior Care Companies – Nursing homes were disproportionately impacted by the current crisis. Today, families will keep their loved ones at home as long as possible. With 100,000 baby boomers crossing over that age 65 barrier every month for the next 10 years, this industry will continue to surge. Most of these brands offer a variety of in-home services ranging from transportation, light house cleaning, meal prep and cleanup, laundry services and companion care. The cost for these pales in comparison to that assisted living facility. The challenge in this industry was not finding customers, it was finding employees to service those clients.

Temporary Employment Agencies - This was one of the first categories to come out of 2008 strong. While the economy ramps back up many employers will need part-time or temporary help before taking on full-time employees. There will be a plethora of quality people working through these agencies and many will find that next job.

A Healthier You – Businesses that improve and offer health benefits to you and yours, like sanitizing or indoor air quality improvement.

Businesses That Save You Money – When money is tight, brands that offer an on-going ROI on the initial investment will flourish. Everyone wants to save money moving forward on their water, heating or air conditioning bills.

Dog & Cat Boarding Services – While we were at the height of Covid-19, many front-line workers boarded their dogs & cats, in states where this was deemed an essential business. With folks staying at home, animal adoptions spiked during the Spring. When we do realize our new normal, these “new parents” will need a place to board “Fluffy.”

Existing Franchise Businesses – Financial stress will induce many existing franchise owners to sell their business (Franchise Resale). This will create a situation where you can purchase a franchise with an existing income stream.

Repair and Restore – Companies that repair or restore your existing possessions, so you don't have to buy new, saving money.

Sign & Imaging Companies – Where do you think all the interior signage and “walk this way” floor decals came from? I see lots of promotions & sales when these businesses start opening up which translates to all kinds of signage.

It's The Law - Companies that perform services that are mandated by law. There will be a plethora of new regulations and franchise companies that perform these tasks will prosper.

Home Inspection Businesses - Lots of real estate is going to be changing hands in the next 12-18 months. Home inspection companies are now used in 98% of the residential real estate transactions.

Home Sweet Home - With social distancing here to stay in some format, brands that will enhance and improve your stay at home vs. going out for entertainment will do well. This trend will be accelerated by people not traveling as much or going on vacations. They will be investing that vacation money back into their homes. Service-related brands from painting to deck and driveway repair will be enticing once the social distancing rules are established.

OK I WANT TO, BUT HOW CAN I AFFORD TO DO THIS?

We would recommend to anyone if you are serious about this option going through a pre-qualification process with many of the funding companies we work with. This will be the same process you would go through before buying a property. With The You Network, the approval is free and you should have a decision with the amount you can borrow in 2 business days.

Here are some of the boxes that will need to be checked off for this to be a reality:

- If you or your significant other are currently employed and have W-2 income, this is a huge plus.
- Credit Scores in excess of 680.
- Equity in a property or properties.
- No short sales or bankruptcies in the past 7 years.
- Enough money to cover your living expenses for 9-12 months either through savings or one of you in the household currently working.

Currently on an all-in investment of \$150k (a typical all in with beefed up working capital on a service-based brand), you would need a liquid capital injection of \$40-\$45k. For current and up to date information go to <https://www.sba.gov/>

Another way to fund your business is through an IRA or 401k rollover. This is a well-kept secret that many accountants and financial planners are clueless about. We can introduce you to several companies that can set this up for you.

IS STARTING A FRANCHISE TODAY A SMART THING TO DO?

The answer to this question depends on you! You will need to possess a belief in yourself and your abilities, have a moderate tolerance for risk and be able to focus on proper due diligence. All while making sure your skill sets line up with the franchisor's top performers.

With over 3,400 different franchise companies out there it can be a bit confusing trying to navigate through all the “noise.” Our services are free to you. We get compensated just like a real estate agent does, but instead of the home seller, the franchise company pays us.

A 30-minute initial conversation might be worth your time. Options other than that j.o.b. are a nice thing to have.