

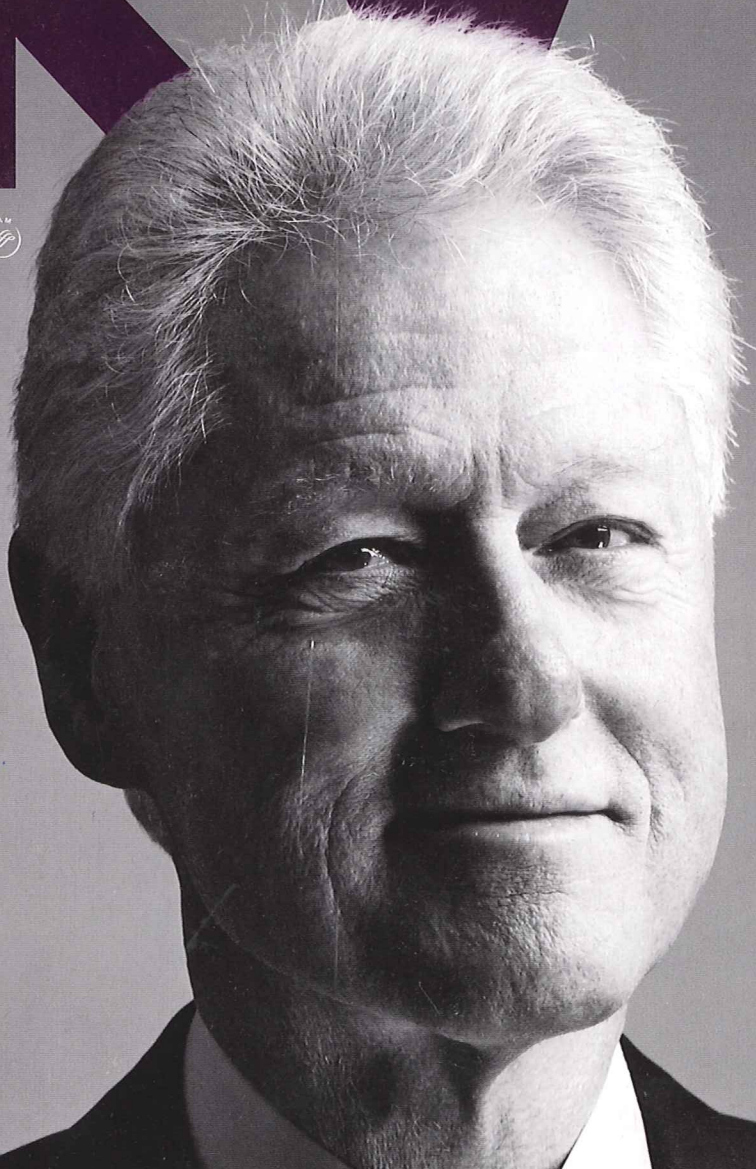
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some prominent leaders making
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JANUARY 2012

IN-DEPTH //
FRANCHISING



5 GREAT FRANCHISES

What great ideas made these franchises hits? By Jonathan Maze

Noodles & Company

In a fast-food marketplace overflowing with burger joints and sandwich shops, it was an idea waiting to happen: A quick-service restaurant that sells affordable noodle dishes—from pad Thai to mushroom stroganoff to a simple mac and cheese.

BACKSTORY: Founder Aaron Kennedy was living in New York in 1993 when he got the idea for a noodle-focused restaurant. He moved to Colorado and opened Noodles & Company

two years later. Today, the company has 280 units in 23 states and systemwide sales of \$250+ million.

BIG IDEA: A menu that's broad and narrow at the same time, a testament to the ubiquity of noodles. Customers have loads of choices of flavors and dining experiences: spicy, savory, healthy, indulgent. "Noodles is one of the only concepts to put that much control in the guests' hands," says the chain's CEO, Kevin Reddy.

TAKEAWAY: Consider carefully whether franchising is the right move for your business. Reddy says prospective franchisors

should ask themselves three questions: Have you established a successful brand? Do you have the systems in place to help others grow a business? Are you franchising a concept you are actively operating and continuing to learn?

College Hunks Hauling Junk

Never underestimate the importance of a name. The moving business may not seem sexy, but a sexy name, great customer service and a market primed for something different have helped this energetic young company carve out a niche.

BACKSTORY: In 2003 friends Omar Soliman and Nick Friedman were home on college break when they started doing odd jobs using the name College Hunks Hauling Junk. The following year they entered their concept in an annual business plan contest (and won) and in 2007 began franchising. The business now has 40 units in 30 states and systemwide revenue of nearly \$10 million.

BIG IDEA: Bring to the moving industry creative branding, bright colors, an enthusiastic company culture and a strong emphasis on customer experience. Moving can be one of life's most stressful experiences, Friedman says. "The service has to be stress-free for the customer. The brand gets us in



College Hunks Hauling Junk

Startup: \$100,000 for franchise fee, truck, working capital.
Franchise fee: \$35,000 for territory of 300,000; \$15,000 every additional 300,000.
Royalty: 7 percent; 1 percent advertising and marketing.

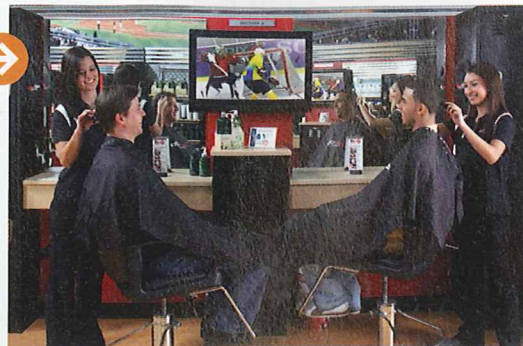


Kevin Reddy



Sport Clips

Startup: \$150,000 to \$200,000.
Franchise fee: \$49,500 for three licenses.
Royalty: 6 percent; 5 percent advertising fund.



the door. The experience keeps us there.”

TAKEAWAY: A franchisor’s relationship with a franchisee should be akin to a coach-player relationship more than a partnership. As Friedman sees it, the franchisor should develop the system and the playbook.



Nick Friedman

Then it’s up to the franchisee to implement the plan.

Massage Envy

The concept was ingenious: A massage clinic built on the membership model common to health clubs. The resulting business has hooked loyal customers with low-cost professional massages.

BACKSTORY: John Leonasio owned a chain of health clubs in Arizona in 2002 when he and licensed massage therapist Shawn Haycock decided to bring memberships to the massage industry. Their creation, Massage Envy, has since been acquired by the private equity group Sentinel Capital Partners and now has more than 710 clinics in 44 states. The chain expects 2011 systemwide sales to surpass \$750 million.

BIG IDEA: Memberships. They provide franchisees with a “double bottom line”: consistent revenue to go along with the often seasonal sales that come from one-time massage users.

TAKEAWAY: Consistency is good. Massage Envy is by far the largest massage chain, bringing rare consistency and brand awareness

to an industry that Massage Envy’s president and CEO, Dave Crisalli, calls “very fragmented.”

Massage Envy

Startup: \$343,000 to \$568,000.
Franchise fee: \$45,000 for first unit; \$35,000 for each additional.
Royalty: 5 percent; 1 percent marketing.



Dave Crisalli

Sport Clips

What happens when a hair salon chain targets men? Sports-themed décor, massaging shampoo chairs, postcut neck massages (aka “MVP treatment”), TVs that are always tuned to sports—and loads of customers.

BACKSTORY: Texan Gordon Logan had been in the salon business since 1979 when in the early 1990s he saw an opportunity. There were 200,000 hair salons in the United States at the time, but “90 percent were focused on ladies,” he says. “Barbershops were disappearing over time. Men didn’t have a good alternative.” Enter Sport Clips. The franchise has grown to more than 822 salon locations in 38 states and it had 2010 systemwide sales in excess of \$200 million.

BIG IDEA: Recognizing that men’s salons are good

business. A woman goes to a stylist every six to eight weeks, a man every three to four. Also men are easier customers, Logan insists. “This may come as a surprise, but men are a lot less picky.”

TAKEAWAY: Get the details right. Sport Clips salons have hardwood floors with a bit of give and sinks that can be approached from behind—little details that can make all the difference to stylists who are on their feet all day.



Gordon Logan

Once Upon A Child

A great franchise concept often solves a problem. In the case of Once Upon A Child, it addressed a common lament of parents: How to keep the kids clothed without draining the wallet.

BACKSTORY: Dennis and Lynn Blum, parents of three young boys, were looking for a place to buy quality used kids’ clothes and to recycle the clothes their boys had outgrown. In 1985 they started

Once Upon A Child and later Plato’s Closet aimed at teens and young adults. Winmark Corporation purchased the rights in 1992 and began franchising the concept in 1993. The Blums are still multi-unit franchisees and

Once Upon A Child

Startup: \$250,000; \$75,000 from personal resources.
Franchise fee: \$25,000.
Royalty: 5 percent; \$1,000 per year in advertising and additional 5 percent on local ads.

Once Upon A Child is now the nation’s largest chain specializing in resale clothing for kids. It has 247 locations in 43 states and its 2010 systemwide sales were \$165 million.

BIG IDEA: It’s not a consignment shop: It buys used clothing (and other kid gear) from customers or offers them store credit. For parents who must overhaul their kids’ wardrobes every few months, the low prices (and extra cash) can be a godsend.

TAKEAWAY: Select hardworking franchisees.

“We want someone who is willing and able to work hard,” says Susan Baustian, Once Upon A Child’s brand director. “This is hard work. We go through hundreds of items every day.”



Susan Baustian

Jonathan Maze covers restaurants and franchises for the Franchise Times.