

## The Steps Necessary To Franchise Your Business

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Once you have decided to franchise your business, there are many steps and processes that Management 2000 will work with you to make certain they are done in the proper order and correctly to make your business successful.

### 1. Writing of:

- The Unit Franchise License Agreement,
- The Franchise Disclosure Document (FDD) and, if needed,
- An Area Development Agreement.

Management 2000 will consult with your attorney regarding the strategic and operational issues contained in the documents. This includes issues that affect the success and profitability of the franchiser and the franchisees. Management 2000 does not prepare legal documents. We believe you will be better served having an established law firm that will, if necessary, defend your documents in court, prepare them for you.

Management 2000's role in this project includes participating in meetings (phone and face-to-face) between you and your attorney, input on all drafts, discussions with the attorney, reading of all documents and serving as project manager for completion of documents on schedule.

If you need an attorney we can make recommendation of attorneys with outstanding reputations and who understand business, franchising as well as law.

### 2. Prepare a (Franchise) Business Plan, including a Financial Model. This will give you a complete guide on how to develop your franchising program to achieve your objectives. The process includes working with you and other key members of the team. The primary focus of this plan will be to:

- Create a *storyboard* defining your company's franchise offering: what markets, what strategy, rate of growth, key issues, costs, etc.
- Establish: mission, core values, vision, strategy, systems, internal strengths and external opportunities, internal and external threats, analysis of current systems, identification of operational issues, key result areas, major objectives for each key result area, projects and accountabilities established with time-lines.
- Identify all the critical issues pertaining to the creation of the FDD, single, multi-unit and Area Development strategies.
- Build a financial model showing the investment needed to begin generating positive cash flow.
- Construct a *pro forma* that reflects staffing needs, i.e. when people are brought on board, at what salary.

- Construct a *pro forma* that reflects accurate general and administrative expenses for the franchiser.
- Construct a *pro forma* that accurately reflects development, franchisee and royalty fee revenue based on a projection of when Franchise License Agreements will be granted and when the franchises will open and begin generating royalty revenue.
- Construct a strategic and operating *pro forma* for a franchise unit.
- Enable you to construct an accurate organization chart.

Going through this process with Management 2000 will help you to think the way you must think to be a successful franchiser.

**The first step in this process is a Strategic Planning meeting.** During this meeting we will develop unified thinking about the critical basic concepts Management 2000 has developed over the years: history and philosophy of franchising, business, creating a customer-driven culture, marketing, market share, strategic-partners, franchisee-franchiser relations. We will also get a clear overview of the different parts of the project and each individual's responsibilities and accountabilities. See bullet number two in the above paragraph ("Establish: mission, core values, etc.")

The result of this meeting will be that everyone involved in the preparation to franchise knows what the expected results are for the next 90-120 days. We will also help you work through the operational issues that must be decided upon before launching the national franchising initiative.

This project will be divided into two parts: 1) Strategic Planning meeting and 2) preparation of the financial model. We will work with you to complete the financial model after the planning meeting.

- 1) The Strategic Planning meeting includes the time of Management 2000 team members. "Time" includes meetings and phone conversations with you and your team, as well as our own time in preparation for the Strategic Planning meeting.
- 2) Preparation of financial model includes preparation, research, and construction of the financial model with your appointed staff. It will include: (a) A franchiser financial model showing the investment needed to begin generating positive cash flow, (b) The franchiser financial model will have a *pro forma* that reflects staffing needs, i.e. when people are brought on board, how many, at what salary and benefits, (c) The franchiser *pro forma* will reflect s accurate general and administrative expenses for the franchiser, (d) A *pro forma* that accurately reflects development, franchisee and royalty fee revenues based on a projection of when Development and single unit Franchise License Agreements will be granted and when the franchises will open and begin generating royalty revenue.

### **3. Organize and write your company's (Franchise) Operations Manuals.**

Management 2000 will take what you have and integrate into the new manual.

Generally the operations manuals for a franchised business will include: pre-opening, franchisees responsibilities, administration, marketing and daily operations.

**The Process:** We will work with you and designated personnel to develop and rewrite your company's Franchise Operations Manuals. We will do the following to complete the manuals to your satisfaction:

- a. Prepare a milestone chart detailing the major results, due dates and persons responsible for these results.
- b. Prepare a topical outline for your approval to show the organization of the manuals and scope of the project. With your concurrence, we may change the organization of the material as we write the manuals.
- c. Rewrite, edit and format any existing manual.
- d. Obtain information to supplement existing written materials through research, telephone interviews and meetings with you and your designated staff.
- e. Add *the voice of the customer* to each section of each manual.
- f. Prepare at least two drafts of the manuals. We will write the drafts and send them for your review. You review the draft for accuracy, completeness, organization and understanding, format and style. We edit and rewrite the manual incorporating your comments so that you have a complete, easy-to-read and useful manual.
- g. We will send you one master copy of the manuals ready for duplicating and a computer disk copy that you can use to keep the manuals up to date.

Management 2000 will require the following from you:

- a. Copies of all written resources for the operations manuals.
- b. Access to appointed experts to supplement written materials.
- c. Appointment of an "edit group." This will be the individual or group responsible for providing comments on the drafts to Management 2000.

#### **4. Write Your Company's Pre-Opening Manual.**

Management 2000 will work with you and designated personnel to prepare your company's pre-opening manual. The following are subjects recommended to include in your pre-opening manual:

- Opening Time Line and detailed activities (everything that must happen between the signing of the franchise agreement and the opening of the first location).
- Real estate assistance, procedures and procedures.
- Site selection criteria for locations.
- Prototype franchise unit building plans.
- Equipment purchasing specifications.
- Grand opening marketing plan (what, when, where, who and how).
- In unit pre-opening training (what, when, where, who and how).

Management 2000 will create an outline with your input, acquire the material and provide you with drafts and a final copy. We will provide you the final manual in two formats: one copy ready for duplication and a computer disk copy so you can keep it up to date.

## **5. Prepare a Franchise Training Program**

Management 2000 will prepare a training program for the Franchisee, and Area Developers, including a Participant's Workbook and Trainer's Guide. This will enable a trainer to help Franchisees, and Area Developers, process and learn the information and systems they will need to build a profitable business.

It will not include training for positions within the unit. The Participant's Workbook and Trainer's Guide will be developed from meetings with you and key personnel, the operations manual, any existing training material and a training program outline. The key steps in developing the training program are as follows:

- a. Identify the goals of the training program and a timetable.
- b. Identify your company's personnel who will provide input for the manual.
- c. Review and discuss the training program by phone or in person to insure that Management 2000 staff has a good understanding of the program.
- d. Identify the objectives for each module or section in the program. Identify skills needed for each module or section. Identify situations for case studies and exercises.
- e. Design and develop a first draft of the Trainer's Guide and the Participant's Workbook. Submit it to you for review.
- f. Receive your comments, write a second draft and submit it for your review.
- g. Make final revisions and provide a camera-ready copy of the Trainer's Guide, Participant's Workbook and overhead transparencies, as well as computer disk copies of the text.

As additional services: (1) A Management 2000 consultant can train your company's trainer(s) and any other key personnel to use the Trainer's Guide. (2) Once the Franchisee Training Manual is outlined and underway, we can further define and outline the in-store training modules needed.

## **6. Prepare a Franchise Development System.**

Management 2000 will work with you to prepare a system to generate, qualify and award franchises to qualified prospects.

- a. Develop a profile of the ideal Franchisee candidate(s).
- b. Set up candidate generation strategies.
- c. Design a total system for dealing with the candidates from the initial inquiry through the signing of the agreements and interaction with the Corporate Office.
- d. The system will include promotional strategies, scripts, presentations and letters.
- e. We will prepare a budget for the preparation of Promotional Materials that will be part of the implementation of the candidate generation strategies.
- f. We will prepare a budget for the cost of marketing the franchise through direct mail, advertising and other means.
- h. The process will include training personnel on how to use the system and how to help candidates make *an informed business decision about your opportunity*.

- i. We will **consult** to the preparation and production of promotional and presentation materials.
- j. Train appropriate personnel on the legal issues pertaining to FDD disclosure and granting the franchise license.
- k. We will consult to the creation of a franchise development department and resulting staffing issues.

Our fees would not include the costs of designing and producing promotional materials sent to candidates, advertising copy and the cost of placing advertisements. As noted above the project does include the determination of these costs.

#### **7. Franchiser-Franchisee Relations/Field Consultant Manual and Training.**

Management 2000 will work with you and designated personnel to create your company's operational support system. The ongoing relations between your company and its Area Developers, single and multi-unit operator franchisees will be a critical factor in the success of your company's system. This project will include the following:

- Establish the philosophy of the relationship between the Area Developers, single and multi-unit franchisees.
- Identify the external support system needs (personnel, training, etc.).
- Identify the operational issues on which field personnel will train franchisees and reporting system for field personnel.
- Create the internal support structure to facilitate franchisee needs.
- Establish reporting requirements for franchisees.
- Establish mandatory attendance meetings for Area Developers and franchisees.
- Create time frame and structure for field support consultations.
- Set up Franchisee Advisory Council (including By-Laws) for feedback from the franchise network.
- Design a Task Force (Franchisees, Council members, vendors and Management 2000) to insure an orderly evaluation and documentation of your Company's system as it evolves in the first 18-24 months.
- Train all of your company's personnel on the Field Consultant process.

Management 2000 has worked with over 1,100 Franchise Companies in our 28 plus years of operation. Our experience includes working with existing franchise companies as well as companies who are just getting the franchise area up and running. References are available upon request for any of the individual projects listed here. For a complete list of our clients, you can also refer to our website: [www.mgmt2000.com](http://www.mgmt2000.com)

Average Project Time Line is on next page.

### Average Project Time Line

Month	1	2	3	4	5	6
Strategic Planning	---					
Financial Model	---	-----				
FDD, License Agreement and Area Development Agreement	--	-----	-----			
Pre-Opening and Operations Manuals		-----	-----	-----	-----	
Training Manual		--	-----	-----	-----	-----
Development System		-----	-----	-----	-----	
Field Consultant Manual					-----	-----