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About James

“Learn from the mistakes of others—you can never live long enough to make them all yourself.”

—John Luther

THERE’S ONE HUGE mistake that most prospective franchise owners make when they start searching for a franchise business to buy, and it is the following: *They start their search for a franchise by searching for a franchise.*

Read that over again.

Are you with me?

I didn’t think so.

Maybe if I tell you a story. . . .

James Pennington only had four jobs in his 20-year career—the one he got right out of college and the ones he got after that. After receiving his business degree at The University of Chicago Booth School of Business in 1990, he scored a nice management position at the Spring-Flash Lighting Company. He excelled there and started moving up the company ladder. James married his college sweetheart, bought a small house in the Chicago suburb of Northbrook—complete with a white

picket fence—and settled down. A couple of years later, he and Marcia (his wife) had their first child, and a year later, their second.

James enjoyed the work he did at Spring-Flash and gradually received an increasing amount of responsibility—including the added stress that went along with it. However, he was fine with the stress; his ever-growing paychecks made it more palatable.

Back at home, things were happy, but a little cramped. James and Marcia's three-bedroom home didn't have a lot of extra room for storage and such, so the Penningtons put it up for sale and bought a larger home less than a mile away.

Shortly after they moved in to their new home, James was offered the position of vice president (VP) of sales for a new lighting division being launched at Spring-Fast, which he gladly accepted. This new role put James in charge of getting some new and very cutting-edge products into the hands of key decision makers at all of the major lighting chains. His job involved lots of travel and lots of product presentations. These new products were getting great reviews, as was James.

One Tuesday morning, James's administrative assistant Janet connected him to a call from someone who wanted to pay him a compliment regarding a recent presentation he made at one of the lighting industry conferences. James took the call from an individual who began the conversation this way.

"James, your name has been mentioned to me several times in the last few months, and I hear that you are really one to watch."

James was flattered, of course, and replied, "Thank you so much. Our new products are doing really well, and I'm grateful to be involved."

The man continued. "My name is Tim Adams, and I'm an executive recruiter with CCM. We specialize in finding great sales executives for companies that need to get things to the next level, which is why I'm reaching out to you today. We're working with a company that I feel could use your expertise, and may be a nice fit for you. Are you interested in learning a little bit more about this possible career opportunity?"

"I'm not really sure. I get one or two calls a month from folks like you, and I'm pretty happy with my situation."

“I understand. But would you at least be open to learning more about the position and this cutting-edge company?”

“I’m just not sure. The opportunity would have to be pretty amazing for me to even consider leaving Spring-Flash.”

“This is one of those amazing opportunities, James. It’s with a publically held company, and they’re offering a generous amount of stock options . . . for the right candidate, of course. Their salary package is . . . well . . . amazing, too.”

“I guess it wouldn’t hurt to spend some time learning a little more about this position.”

“I was hoping you’d say that, James.”

Two months later, James left his successful 16-year career at the Spring-Flash Lighting Company for *greener* pastures. You see, ComfortLites, Inc.—the young company that had recruited him—was headquartered in Portland, Oregon.

Thanks to the generous salary, sizeable amount of stock options, and wonderful relocation package, James didn’t have too difficult a time convincing Marcia that they had to take this shot. While their kids weren’t too enthusiastic about leaving their friends behind, the Penningtons assured them that they would make wonderful new friends in Portland.

Things went pretty well for the first year or so. James secured some great new (and *large*) customers for his new employer, and the family was getting used to their new community, just outside of Portland.

Then things started to get a bit strained during James’s second year at ComfortLites. First, his division’s president was abruptly let go. Word on the street was that ComfortLites had stolen the idea for one of their hottest products directly from a competitor and that a lawsuit was in the process of being filed against them.

This lawsuit *was* filed later in the year, and it was the first of many that would be filed against ComfortLites. They were prohibited from selling any of the lighting products in question until the matters were settled in court.

Eventually, James’s division was closed down, and he was downsized. He received a ridiculously low severance package—and unless the company

would be able to pull out a last-minute miracle, his stock options were going to be absolutely worthless.

As one can imagine, things at home were a bit tense for awhile with James out of work. However, he was able to secure a management position, after only six months of being unemployed, at a Portland area packaging company called Mingley Packaging. He wasn't hired as a VP, but he *was* in middle management, and the salary package wasn't too bad.

James traveled quite a bit in his role as sales director. He was in his element, which involved making lots of high-level presentations and securing new customers for the company. He performed well enough to eventually be promoted to the VP of sales, a position that had recently become available.

James ended up staying at the packaging company for five years, until they downsized—and he was once again let go. This time, it was “because of a slowing economy,” according to the rather timid human resources director—the person who gave James the bad news. James was so absolutely shocked that he was just let go and stormed out of the office, briefcase in hand. After all, James thought to himself, he had brought his company Mingley well over \$15 million in new business during his tenure. The “slowing economy” didn't seem to be affecting the company all *that* much.

So, once again, James was job hunting and managing to land a couple of interviews. However, things felt a lot different during the interviews this time around. He tried to put his finger on it, but couldn't.

When James mentioned these feelings during one of his job-search networking activities, several people told him that his age was probably starting to play a negative role in his interviews.

He couldn't believe it; he was 49 years old, in pretty good physical shape, and even looked a lot younger than 49. He wondered aloud if “this is how it's going to be now?” He was angry. He was also getting depressed.

One month later, however, James landed a job.

The Portland Lighting Warehouse certainly wasn't his first choice in a new job; however, it was available. He was hired on as shipping and receiving supervisor and would be taking a 40 percent pay cut. But the

hospitalization plan was great, and his office was only 10 minutes from home.

However, James's dip in salary couldn't have come at a worse time; his oldest child, Marie, was deciding between two good universities, both of which were pretty expensive. Though Marie would be getting a little scholarship money, it would barely make a dent. Things were tight. And the atmosphere at home was *electric*.

Of course, the wattage *really* increased when—after only seven months of working at his new position—James was let go once again. His supervisor told him that Portland Lighting Warehouse was cutting staff because of the recession but that “they really liked him.” James was instructed to “exit the building,” which he did, with one flimsy cardboard box in hand. He knew that his 10-minute ride home would feel a lot longer that day.

He didn't even bother to call Marcia while on his way home. Actually, he pulled into the parking lot of a local fast food chain and turned off his car. He sat there shaking his head and wondering out loud, “How could this happen to me? *Now* what am I supposed to do?” It was well before lunch, so there was really no one else around.

James sat in the quiet of his car and relived the last 24 years of his professional career. Things had started out really well. He secured a great job right out of college and learned a lot about business in his 12 years at Spring-Flash. He had been promoted a few times and was pretty happy there. He got so good that others in his industry were taking notice; heck, an executive-level recruiter called *him*! The job for which he was recruited was a great one, with impressive pay and even stock options. He liked the fast pace and entrepreneurial spirit that the young company had, that is, while it lasted. Too bad that job only lasted two years. And those stock options—well, they were worth about \$200 now, and he was thinking of cashing them in—and fast.

He felt lucky to get his next job after only six months of looking; Mingley Packaging was a pretty good place to work, and it enabled him to learn about the shipping industry. He liked it there. He did a great job for the company and brought in many new customers—customers that Mingley Packaging might have never had a chance to even present

to. But it wasn't enough, he supposed, because he was let go from that job, too.

And now this; how was he going to tell Marcia that he got fired yet again? What would he tell his kids? He was absolutely dreading going home.

James knew that things would settle down in a few days at home and that he'd have to pick himself up by his bootstraps and get another job. Ugh. That thought alone made him *not* want to start his car and head home. He really didn't feel like updating his resume (again!). He didn't feel like doing what he called *The Interview Shuffle*—putting on his suit and shuffling from one job interview to the next, knowing that although most of them were probably a total waste of time, he still had to show up looking perfect and pressed.

James was just about to start his car when another unwelcome thought entered his mind: his age. He wondered just how many companies in the area were anxiously waiting for a 50-year-old, recently fired middle manager to appear for an interview. And the question of just how he was going to pay for Marie's college education was also appearing in the Top 10 "What the heck am I going to do now?" hit parade that was currently going on inside his head.

He knew it was time for him to head home.



Marcia was really angry—not at James, though. She was angry at the situation. She knew that her husband was incredibly smart and talented; after all, they had done pretty well through the years. Amazingly, Marcia wasn't freaking out (totally) about money. They had managed to save some over time, which was something that really helped her cope (at least initially) with her husband's firing. Though reality began to settle in a few months later when they wrote a \$20,000+ check for Marie's first year of college; they *were* able to work through that process together by taking lots of deep breaths.

Having some money in the bank allowed the Pennington's to breathe a bit; the issue was that they weren't collecting any income to replace

it. The \$400 a week that James received in unemployment benefits only paid for their electric bill and part of their cell phone bill. It was, of course, a mounting problem.

And there was another problem brewing: James was angry. He'd worked really hard for over 20 years. He was an honest a guy who'd always put in the extra effort required to excel at all of the jobs he'd ever had. Now he felt like he had nothing to show for it. As a matter of fact, he felt like a big, fat loser.

James was also starting to get resentful. He resented the fact that it didn't seem to matter how well he had performed at any of the corporations at which he worked; they still let him go whenever they downsized, which was something that really troubled him. How was it that he brought these companies serious profits, which helped their bottom lines, but they sent him packing anyway? He started to question if it was all worth it anymore.

For the next few weeks, he did the usual things that people must do when they're out of a job; he updated his resume; he attended networking events; and he had lunch with folks that he thought could help him in his job search. He spent a couple of hours on his computer every day, scouring the online job boards, visiting LinkedIn, and engaging in other assorted job-seeking online activities—all to no avail. It was tough out there now, and the U.S. economy was sinking even more deeply into a recession. James was getting worried. He started to wonder if he'd ever find a job.

One day, while searching online for some ideas, he came across an advertisement proclaiming the following:

Don't Get Another Job
Become a Franchise Owner Instead
Become Your Own Boss!

James hadn't really thought of not getting another job although the way things were currently going, it just might work out that way. The reality of the situation was that James wasn't getting any younger,

companies weren't presently hiring, and his measly unemployment checks were about to stop coming.

James thought to himself that maybe he *should* look into owning a business. He approached Marcia with this idea.

James: Honey, maybe I should look into owning a business.

Marcia: Oh really? Like what?

James: No idea, really. Probably a franchise of some type.

Marcia: So, like a Subway, or a McDonald's?

James: Maybe. Heck, I don't know. *Something*.

Marcia: Why are you thinking about this all of a sudden?

James: Because the job market is terrible right now, and I'm getting nowhere in my search.

Marcia: So—why a franchise or, for that matter, why a business? And exactly how much money are we talking about here, Mr. Trump?

James: Well, I haven't really gotten that far yet.

Marcia: Let me know when you do. I'm sure you understand that I'm a little nervous about this idea of yours.

James: I know. I know . . . but I don't really know what else to do.

Now that James had Marcia's permission (really?) to start looking around for a franchise, that is just what he did. He spent hours every day looking at all of the different franchise websites. He even managed to gather up enough courage to request a couple of brochures from some franchise companies. He essentially put his job search on hold and began getting excited about the possibilities. He found it incredibly energizing to participating in something so totally different from the typical corporate job search in which he'd engaged so many times before. As a matter of fact, he pretty much had lost his desire to even look for a job; he knew what he wanted. He wanted to be his own boss!

He didn't bother telling more than a couple of people of his new idea because he was a little worried about it getting completely shot down. James was a man on a mission!

Though James had entertained occasional thoughts about opening up his own business throughout the years, he never really investigated anything. After all, he really didn't have to; he was bringing home some nice paychecks.

Marcia pretty much let James do his own thing in regard to looking around for a franchise business. He had told her that if he got serious about something, he would share it with her at that point, which seemed fine with her.

For some reason, James was attracted to food franchises—sub shops, ice cream shops, and pizza places. These types of franchises popped up all the time on websites and even in magazines and newspapers. He had no problem visualizing himself running a food franchise. He pictured himself rolling up his sleeves and pitching in when his store was shorthanded or had just gotten a rush of new customers bursting in the door. He also had pictures in his mind of his wife and kids pitching in and helping out; heck, they could even work there! James was bursting at the seams and couldn't wait to get started with something.

Now that he had a nice image in his head of the kind of franchise he wanted, he started to request information from several food franchises. As his brochure collection grew, he tried to figure out which one or maybe even which two to pick out and contact. Though he had received calls and e-mails from almost all of the franchise salespeople, he wasn't ready to call them back. He wanted to look at their brochures and learn all he could about them.

So far, James was focusing most closely on two food franchises; a big-name submarine sandwich shop and a pizza franchise that looked pretty interesting. He contacted both of them and awaited their calls back. The pizza franchise sales representative called back first; actually, he called James back about a half hour after James called him.

This man, Tim Pierce, seemed pleasant enough; he gave James a basic rundown of the opportunity, including some history, where some of the current locations were, and total costs involved. James would have to invest between \$250,000 to \$350,000 for this franchise. There weren't any 23-Topping Pizza franchises in the suburban Portland area as of yet,

so he would have first dibs in his choice of location—something that would be a huge advantage, according to Tim.

Teresa Blair from the big-name submarine sandwich chain called the following day. She wanted to schedule an online webinar for James to attend. She explained that the webinar would really help James understand how things worked in their franchise and that there would even be a question and answer (Q&A) session with a couple of current franchise owners at its completion. James told her that he'd attend it and added it to his online calendar.

Meanwhile, Tim from 23-Topping Pizza had sent James an e-mail with more information, including something called a *franchise disclosure document* (FDD). Tim had explained that he was required by law send this to James; James even had to sign an online form acknowledging that he'd received it. The FDD was almost 250 pages long. Tim told James that he'd eventually want to print it out but to look it over in the meantime and write down any questions he'd have. James looked over the FDD for about an hour and then went back to reading the shiny brochure again.

James also attended the webinar with the submarine sandwich chain, which he found pretty interesting. He learned that the company had over 25,000 franchises throughout the world and that they wanted a lot more. The people running the webinar were really aggressive and seemed pretty hard-sell. They also came across like they were plenty busy and shared as much. They stated that they were only interested in talking to people who were “really ready to pull the trigger on buying a franchise” as they had plenty of people inquiring. It kind of turned James off, truth be told. He talked with Teresa after the webinar was over and told her that he'd think about the opportunity some more and get back to her.

However, James really had no intention of calling Teresa back, nor did he have to “think about the opportunity.” He didn't like the way the folks at corporate headquarters came across, so he eliminated this franchise opportunity. Plus, he was really starting to like 23-Topping Pizza—a lot.

James spent the next week using various Internet search engines to find out all the information he could about 23-Topping Pizza. It actually didn't seem as though there was a lot of information available.

He discovered that they had been around for about five years and that they currently had 25 franchises scattered throughout the United States, mostly around the New Jersey area, because that's where their headquarters were located. He also searched to see if there were any complaints registered with the Better Business Bureau and didn't find anything—which he took as a positive sign.

James told Tim during their next phone call that he was very interested in the opportunity and wanted to know what he would have to do to get the ball rolling. Tim informed him that the next step he'd have to take would be to schedule a visit to franchise headquarters for a Discovery Day. James didn't know what a Discovery Day was, but he agreed to attend one anyway. Tim came up with a couple of dates, and James told him that he would have to check with his wife and get back to him.

That night at dinner, James told Marcia that he had found a franchise that really interested him. He explained that it was a pizza franchise out of New Jersey and that it looked like a winner. The concept featured 23 topping combinations, and that was one of things that set it apart from all the other pizza franchises. He went through some of the other particulars, including how much it would cost, how long it would take to open up, and a few other interesting tidbits about the franchise itself. When Marcia asked him what he knew about pizza, he told her that the important part of the business was the *business* part—not the pizza-making activities.

In fact, the question that Marcia asked concerning his knowledge (or, in James's case, his utter lack of knowledge) about pizza kind of bothered him. He thought that it was a strange question and shrugged it off as a result of some nervousness that Marcia was probably experiencing.

Tim suggested that James bring Marcia to the Discovery Day as it was important for her to see the operation and meet the principals. James asked Marcia if she wanted to fly out to New Jersey to attend it, but she told James that this was his baby and stayed at home. She figured that she'd learn more than enough about it when James came back to town and told her everything about the franchise.

Tim and James had one more call before James's Discovery Day. Tim explained that the day would include a tour of headquarters, short

meetings with the executive staff, and a couple of stops at some up and running 23-Topping Pizza franchise locations. Tim also mentioned that James would be leaving with a franchise contract to look over so that he could make a decision on whether to move forward as a 23-Topping Pizza franchisee. James felt a little twinge in his stomach during the last part of that phone call with Tim; however, it quickly passed, and he figured that it was normal to be a little nervous about investing money in a business.

Tim's Discovery Day came up really fast, and, as his plane landed at Newark Liberty International Airport, he reflected for a moment. It felt a little strange to be going out of town on business, but in a totally different way. The "on business" part had to do with potentially *his* business. Wow. Double wow, actually. His pulse started racing and he felt himself breaking out in a bit of a sweat; was he nuts? What was he thinking? He had a mortgage, a spouse who didn't work, and two beautiful children—including one that was just starting an expensive private college. \$250,000 was a lot of money. What if this pizza franchise turned out to be a total bust? Could he, a 50-year-old man—recover from a \$250,000+ loss in enough time to have *some* semblance of a retirement? Would Marcia resent him forever if he failed at this business? Maybe this was a crazy idea, and he should just turn around and go home, so he could start his job hunt again, this time in earnest. It sounded a lot safer all of a sudden.

As promised, a driver was standing by to take James to the 23-Topping Pizza headquarters—a ride that took about 45 minutes. Although he was still feeling a bit nervous, a smile started to appear on his face. The thought of not working for someone else was starting to overshadow his fear of failing and losing money.

Tim greeted James at the main door to headquarters, and they proceeded inside. Tim asked James some polite questions about how his flight was and so on and then showed James into a well-lit conference room. Tim sat down next to James and laid out an agenda for the day.

- Tour of headquarters
- Meet and greets with the chief executive officer (CEO) and other members of the executive team
- Private meeting with the CEO

- Lunch at the 23-Topping Pizza flagship restaurant
- Two-hour personal meeting with a franchisee at his location
- Back to headquarters for a recap/Q&A
- Presentation of the formal franchise contract
- Transportation back to Newark Airport

The Discovery Day went by incredibly fast, and the highlight was the two hours that James spent with Jimmy Fanzika, who owned two franchises of 23-Topping Pizza. Because James had arrived after the lunch rush, there was plenty of time for him to look around and ask some questions. Jimmy shared his story of how he came to be a franchise owner of 23-Topping Pizza and how things were going with his two restaurants.

Jimmy came from a long line of restaurant owners. His parents had owned a local restaurant for 40 years, and Jimmy worked there until he started college. Though he liked the business, he wanted something that he could call his own. After college, he decided to open up his own pizza restaurant. He did, and his little restaurant did pretty well until about three years before. A couple of other stores located in the strip center where his store was located went out of business, and the landlord was having problems filling the empty spaces. The recession was just around the corner, and not too many people were launching new businesses. Jimmy's restaurant suffered—big time, that is, until someone from 23-Topping Pizza stopped by and made Jimmy an offer that he couldn't refuse.

The offer was this:

23-Topping Pizza would come in and convert Jimmy's independent pizza restaurant into a 23-Topping Pizza *franchise*. Because most of the equipment needed for operating a 23-Topping Pizza was already in place, Jimmy would only have to pay the \$30,000 franchise fee, invest in an interior makeover (to match the colors of 23-Topping Pizza), and change the signage. So, instead of coming up with around \$250,000 for a brand new 23-Topping Pizza franchise operation, he would only have to invest in a *conversion franchise*, and he could be up and running in no time flat!

Jimmy told James that he felt that he really didn't have much choice, and that's why he became a franchisee of 23-Topping Pizza. He shared

James's fears about becoming a franchisee; he was used to being the one running the show, which included doing all of the marketing, coming up with new menu ideas, and the like. He liked his independence.

And then there was his family. While they certainly supported his dream of starting his own restaurant from scratch—and even helped him with his initial investment—they also knew that he was struggling lately. He told James that at first, his family wasn't too fond of the idea of turning the restaurant into a franchise. But times were tough, and they didn't want Jimmy to have to close his restaurant. So they gave Jimmy their blessing—along with about \$50,000.

Things ended up working out pretty well for Jimmy; he recently opened up his second location and really likes the product. Jimmy also was nice enough to verbally share some of his profit and loss data with James during his visit, along with some other pertinent information about marketing, operations, and personnel.

The driver outside of Jimmy's restaurant who was waiting to take James back to franchise headquarters beeped a couple of times, signaling that it was time for James to get going. He thanked Jimmy for his time and left for his final couple hours of Discovery Day.

James's mind was racing almost as much as the car in which he was riding; it was a whirlwind of a day so far and more than a little overwhelming—but in a good way. He got to taste the food. He got to visit privately with a current franchisee, who shared some of his franchise's financial information. Now it was time for the serious stuff: the franchise contract. Though James knew that he wasn't expected to sign it that very day, he was starting to feel uptight about the legal ramifications of franchise ownership, not that he was all that well-acquainted with what those were.

James sat down with Tim in a small private office, where they went over the 25-page franchise agreement methodically. Tim asked James if he had any questions. He didn't really have any about the franchise agreement right away, but he did have a question about four lawsuits that he had read about in the FDD a couple of weeks before.

Tim told him that three out of the four lawsuits were against franchisees that weren't paying their agreed-upon royalties. These franchisees

were supposed to be paying 6 percent of their gross sales to corporate, but they had all fallen behind by several months, so 23-Topping Pizza sued and won. Tim also told James that one franchisee stayed around after that and was currently doing pretty well. The other two went out of business.

The other lawsuit was over a location—or a lack thereof, as Tim explained. He shared that a husband-and-wife team had purchased a franchise that they were planning to open up in Lansing, Michigan. The couple looked at 10 potential locations at which to open their franchise but couldn't decide which one would be best. They had called corporate headquarters for suggestions and got a couple; however, no one there really knew too much about that part of Michigan. After about a year of failing to decide upon a spot for their store, the couple sued 23-Topping Pizza for “not working hard enough helping them find a suitable location.” Tim told James that the two settled out of court and were no longer franchisees. James asked Tim why corporate didn't help more, and Tim told him that they did all they could, but the couple was “just kind of wacky.”

James then asked Tim a couple of questions about the franchise contract, which Tim was able to answer satisfactorily.

On his way out the door to grab his ride back to the airport, Tim shook his hand and told him that if he liked what he saw during his Discovery Day visit, he should get the signed franchise contract back to him within a week or two, along with his check for \$30,000 for the franchise fee. James said, “okay” and got in the car.

James could hardly contain his ear-to-ear smile during his ride to the Newark Liberty International Airport. His decision was made; he just had to do a bit of selling when he got back home.

After James shared details of his Discovery Day, he told Marcia that he really needed and wanted her support in this venture. Marcia was not entirely convinced. On one hand, she believed in her husband. He was a hard worker who didn't take lots of risks. Plus, it wasn't like his phone was ringing with amazing job offers. On the other hand, the prospect of investing a quarter of a million dollars into a pizza franchise—with no guarantee that it would even be successful—frightened her. But she didn't want James to sense her fear.

Before they signed the franchise agreement, James thought it best if he had an attorney look it over. Marcia's uncle—a corporate attorney—told James that he'd be happy to look at it; however, he also warned James that he wasn't really very well versed in franchise laws. James faxed it over to him and awaited his call back.

Two days later, Marcia's uncle called him and told him that he really didn't see anything strange on the contract. As far as he could tell, everything looked pretty standard. James thanked him for getting to it quickly and made a mental note to make sure that he asked Marcia to send him a nice package of Omaha Steaks (or something in that genre.)

At dinner that evening, he told Marcia that her uncle didn't see anything out of the ordinary and that he really wanted to do this. Moneywise, they had access to the \$30,000 he would need for the franchise fee. The other \$200,000 or so he could get from a combination of stocks that he could sell and a business loan that he should be able to secure at their local bank. It would still leave them in *pretty* good shape for his daughter's college education costs.

The next morning, both James and Marcia signed the 23-Topping Pizza franchise contract and sent it to Tim—along with their check for \$30,000.

The first bank that Marcia and James visited declined their small business loan application, and told them that they wanted more collateral. Five stressful weeks later, an out of town bank approved their request for a \$225,000 loan.

At that point, James started scouting out locations. He was now working with Blake Dannon, the director of operations at 23-Topping Pizza. Because 23-Topping Pizza didn't have a real estate department, Blake handled the franchise's new location openings. He was good at operations, for sure; however, Blake himself was still kind of learning the ropes about commercial real estate and all of the complexities involved therein.

Blake had contacted James right after his small business loan had been approved and told him to start driving around to see if he could find any suitable space for his new pizza franchise. So that's exactly what James did. He wanted to find his location, and fast. He had visions of

customers standing outside the door of his brand new franchise and wanted to make them a reality as quickly as he could.

James came upon a couple of what he thought were good places to open a pizza franchise. The next thing he did was to contact the commercial real estate brokers whose names and numbers were right on the windows of the empty retail spaces he was interested in. These individuals called back in rapid fashion, and James set up meetings with each one of them at the locations they were representing.

The first location that James visited was really nice. It had been a restaurant until about a year ago, but the broker told James that it had closed down because the owner was having health issues. The broker gave James the particulars, including the price per square foot and the types of leasehold improvements that would be needed to make it right for his franchise. James told him that he'd think about it and went on to see the second location that he liked.

The second location was a lot smaller than the first; however, it was situated in a new strip mall center. It was a brand new space, and the broker told James that he had been looking to place a restaurant of some type in the space. The two discussed prices and also talked about what it would take to build-out the space and make it into a pizza restaurant. James really liked the second space that he saw.

James reported back to Blake with his findings, and Blake told him that he thought that James's second choice (the newer space) may be too small. Blake said that the larger one would probably be better, but because he didn't really know the area, he wasn't sure about the location itself. He said he would talk to the CEO and get back to him.

James really liked the newer retail space; it smelled good inside, and the strip center itself was really sharp. There were several eclectic shops up and down the strip center, and, even though they didn't look busy that day, the broker assured him that they were most of the time.

Blake got back to James a couple of days later and told him that the CEO agreed that although the space in the newer location was kind of small, the final decision was up to James. They would approve the location as long as James liked it and felt the area would be good for a

23-Topping Pizza franchise. James signed the five-year lease for the space (the smaller space) in the strip mall a few days later.

The flight to New Jersey seemed to go a lot faster than the last time. James couldn't wait to attend the one-week training class at 23-Topping Pizza's headquarters because, when training was over, he would be just about ready to open for business. He was ready!

James felt that the training was very thorough that week; he learned how to make pizza, of course. He also learned about inventory control, cash management, payroll, marketing, advertising, and human resources—along with a few other things that he couldn't really remember all that well. It *was* a little overwhelming, but he kind of figured it would be and didn't mind that his head was spinning as he got into the car that would be taking him to the Newark Airport so that he could catch his flight back to Portland.

He had a lot to do; he had to make sure that his restaurant would be ready by April 19, the day of his grand opening.

James was able to pull it off; he opened his new franchise business on April 19, as planned. It was a festive day as the mayor and several other local dignitaries showed up for the official ribbon-cutting ceremony. Lots of backslapping took place, and everybody seemed to love the restaurant and, of course, the free food.

Marcia was there every day at the beginning; she kept the dining area looking spotless, scheduled the staff, and generally helped to make sure things ran smoothly. She usually stayed until the lunch rush was over so she could get back home in time to see her teenager, who usually got back from school around 3:00 p.m. or so. She would hang out with them for a little while and then get back to the restaurant in time for the dinner rush, which was mostly take-out—but she helped keep things humming along. Sometimes one or even both of their kids (when their daughter was home from college) would come back with her and help out.

James, however, was there all the time. Fifteen-hour workdays were the norm. He was exhausted when he came home, but he didn't mind it too, too, much; after all, this is what he wanted. He wanted to be his own boss.

For awhile, that is.

It wasn't the 15-hour days, seven days a week that sent James over the edge. It wasn't even the fact that he hadn't had a day off for seven months (not that he was counting). It was the kids. Not his own kids, mind you. It was the 10 part-time, pimply-faced terrors that were his employees and who had a 30 percent tardy rate combined, that is, when they even *bothered* to show up.

James was near the end of his rope. He had already been through almost 50 employees since opening in April. It seemed that he spent most of his time hiring, training, or firing his employees. Even worse was the fact that he was starting to get the feeling that his current crop of recruits was about as good as it was ever going to get.

James was one extremely stressed franchise owner. When he first started considering this opportunity, he was focused on becoming a successful multi-unit franchise owner. Now he couldn't even *begin* to think about a second location; he never seemed to have enough employees to run his current one, which meant that he couldn't leave his restaurant long enough to do anything, let alone start looking for a second location in which to open.

Adding to James's stress level was the fact that Marcia was starting to hint that she wasn't feeling exactly enthusiastic about coming in every day. She told James that she didn't mind helping but that it was starting to be a real grind. James asked Marcia if she would hang in there for a little longer, for which he received a very unpleasant eye roll in return.

Marcia *did* hang in there for the entire first year that they were in business. That was good. Nothing that followed, however, was anything that a casual observer of the situation would call "good."

The 23-Topping Pizza location located in the Portland Commons shopping center had reached a milestone of sorts; it was still in business exactly one year after being open. The problem was that James didn't feel like celebrating; he just wanted to sleep for two weeks straight.

James and Marcia really had no idea just how hard the food service business was. James was still putting in 15-hour days, seven days a week—and he was *tired*. Marcia had just about had it and was starting to worry about her husband's health. She told James that he needed to get

some more help so that he could take off at least a couple of hours every day. She also told him that she couldn't work there anymore unless it was an emergency. She hated dealing with all of the employee hassles and customer complaints; plus, their house was a pigsty because she was hardly ever home.

James had one more, fairly substantial problem: the restaurant was losing money. He couldn't seem to get ahead. The expenses—including what turned out to be a very expensive lease—and other things like rising food costs, employee turnover, and average (at best) sales, were starting to add to his already elevated stress level. Plus, he had already blown through \$40,000 of a credit line he established when they opened the doors. Then there was his small business loan. His last payment was two weeks late, which caused his banker to pick up the phone to say hi. (Marcia didn't know anything about that.)

He was barely talking to the folks in New Jersey. You see, James was also two months behind in his royalty payments. So far, he had been pretty successful at avoiding their phone calls. Actually, he was pretty successful at avoiding *lots* of phone calls by this time.

James was able to keep his pizza franchise open for six more months—until he was forced to close up shop. He certainly didn't *want* to close his doors; this would affect 12 other people because they would be out of a job. He felt bad about that. He felt a lot worse about the \$300,000 that he just lost—not to mention two years of looking for and then opening the business.

Marcia felt pretty bad, too. She felt sorry for her husband; he had stepped up to the plate, big time. He was at the business all the time. He tried like hell to take care of his usually flaky employees, all the while attempting to be a good husband throughout this experience. (It was too bad he was so tired all the time.)

The following few months were brutal as James tried to work things out with the bank. He had to *lawyer up* and deal with the royalties that he owed 23-Topping Pizza Corporation. His lawyer also had to help him with the strip center's landlord. He owed him some money, too. Actually, if you want to get technical, James owed rent for 3.5 more years. (Remember, his lease was for five years.) Of course, the state

wanted their unemployment and sales taxes. And the Internal Revenue Service (IRS) needed James to write a couple of checks, too. The pressure was on. “Hey,” he said to himself. “At least college was half paid for.”

Oh, and one more thing; he had to get his resume pressed and cleaned for what was sure to be an exciting time for this 50-something year old former executive and middle manager.

He decided that he needed to go somewhere—anywhere. He got into his car and just started driving. He cranked up his favorite radio station and cruised around for about an hour. It was like he was on autopilot.

He really had no idea how he ended up in the parking lot of the same exact fast food chain that he had been in just two years earlier. He turned off his car and reminisced for a little while. The last time he sat in this parking lot he had just been fired. He was full of fear and wasn’t quite ready to go home and tell Marcia that he lost his job—again. It had been a tough day.

This time, as he sat in his car, he thought about his decision to be in business for himself. His motives were good; he was sick of the corporate thing, and he wanted to take a chance at The Dream. Now his dream was shot; he had lost a lot of money, and it was going to take a long time to climb out of the financial hole that he had created in just two short years. He wondered if he was ever going to be able to make up for a \$300,000 loss.

As James looked back on his franchise ownership experience, he started wondering what he did wrong. Was it all his fault? Did he choose a lousy franchise concept to buy? Was it too expensive? Did he select the wrong location? Should he have asked Marcia to become more involved in the daily duties? He pounded the dashboard of his car and yelled out, “What happened?”



The above was a work of fiction. I don’t know a James or Marcia Pennington. There is no pizza franchise called 23-Topping Pizza. The companies mentioned in the story don’t exist. The University of Chicago’s Booth School of Business does; as does the community of Northbrook, Illinois. Portland, Oregon is real, too.

The story above is sort of a mash-up of the kinds of things I've seen happen with people just like James over the years. Lots of folks that I worked with in an advisory role were downsized executives. Lots of the folks that *I didn't work with* were, too. But they decided to seek out franchises to buy on their own.

Some of people that chose to go at it alone actually ended up contacting me again. However, it was usually too late for them by this time. Their franchises were failing, and they were looking for a way out.

I wonder if they were sitting in their cars much like James was when they called me, hoping that I could come up with a miracle of some type, to help save them from financial ruin.

James made a ton of mistakes. Deciding to go out and find a franchise to buy *on his own* was the first one.

Now I'm sure that there are lots of very successful franchise owners who were able to find and research franchises pretty much on their own. That's fantastic. Some of their success has to do with luck. Some of it may have to do with amazing business acumen. Some of it was probably timing or even geography. It happens to some people some of the time—and I wish for their continued success!

However, this is not the norm. Most people who are considering opening a franchise do exactly what James did; they start looking at different franchises, get some brochures (online and offline), and then try to figure out what's what.

That's a mistake. As a matter of fact, this was James's second mistake. He started his search for a franchise by searching for a franchise. I don't want you to do that.

Once you determine that franchise ownership is for you, I'm going to teach you a much better way of going about selecting and researching franchises. The great thing is that if you commit to following all of my suggestions that are contained in this book, you'll increase your chances of success as a franchise owner.

You're okay with that, right?

Let's move on to the next chapter. I'm going to show you where to start your search for a franchise business and how to customize that search—just for you.