

in·ter·view \ 'in-tər-,vyü \ noun

1. A Q&A session with an industry expert
2. Geoff Batchelder on emerging brands



Geoff Batchelder has been a franchise consultant and franchise development expert for the last 10 years. He helps launch successful businesses and builds strong franchise systems. Before that, he spent 25 years focusing on business development in the high-tech industry. Contact him at 877-222-3722 or email geoff@compassfranchisegroup.com.

What are the pros to an emerging brand?

A An emerging brand can be an exciting and lucrative option for true entrepreneurs, who want to get in early and be a part of the exciting, and sometimes frustrating, early-growth periods. No doubt early-stage franchisees will have more influence over the direction of the franchise and likely, a tight relationship with the franchisor. They usually have more freedom within the franchise system versus the rigidity that typically develops with a mature franchise system.

Typically, up-front costs will be less in an early-stage franchise. As the franchise system matures, franchise fees and royalties increase due to increased purchases, like inventory and equipment. For an investor who is willing to take on potential extra risk, getting into an emerging brand can have real financial upside.

Another benefit is you get the best locations and territories. This is especially important in a service-based franchise that sells territories. It's not uncommon for prime metro areas to get sold in that first year of franchise operations, and once they're sold, they're gone.

What are the cons?

A The biggest issue to keep in mind is the increased risk that comes with a system that hasn't been given the test of time and multiple owners in multiple markets. I'm a big fan of emerging brands, but there are things to look out for if you're considering one. First, make sure that the market is a big one and has room for growth. Understand what makes this emerging brand different from its competitors. Does the franchisor have the financial resources to grow the brand? Is there franchising experience on the team? Make sure your personality and vision fit with the franchisor, since you'll be working very closely together.

Is it harder to get funding for an emerging brand?

A No, but you have to know where to go—and it's not your local bank. As long as the brand has taken the time to register with the Small Business Administration (SBA), it shouldn't be a major issue. We've had no issues getting financing for franchisees for The Flying Locksmiths and WaveMAX Laundry, two popular emerging brands. Of course, if you are going to fund with a ROBS program, then the emerging brand status doesn't matter at all. However, you will need franchise candidates that have the appropriate amount of liquidity, net worth, and a good credit score.

What are red flags to look for?

A When evaluating an emerging brand, the franchisee should look for the same things business owners looking to franchise their businesses should consider. Does the franchisor talk about getting rich by franchising or mention looking for that private equity buyout? You want a franchisor that loves his business and wants to build a franchise empire, someone who is willing to invest the time and effort it takes to get there. Is this business the 'latest, greatest' thing? You're looking for a business sector that is mature rather than a new widget. Is there a lack of franchising experience on the team? It's critical to have franchise experience on the development team.

What are signs an emerging brand will be a winner?

A Consider a few key points: First, what does the competitive landscape look like? You are looking for a fragmented sector without a professional, systematic approach to customer acquisition, service, and support. Next, has the business proven it knows the business? Has it had financial success and developed competitive differentiators? I want to see at least three years of impressive financial results in an emerging brand. Is the franchisor committed to franchisee success? I can't tell you how many examples I have seen where someone franchises a successful business, but then forgets that the original business is no longer the focus. Now franchisees must be the top priority. Is the emerging concept adequately capitalized to keep the business growing during those early years when franchise revenues aren't going to be very strong?

Have there been other successful franchise systems in this sector? If not, there may be a reason why it won't do well as a franchise.

The last one is more art than science—the "it" factor. It's hard to quantify, but when it's there you've got a chance to develop that next big thing in the franchise world.