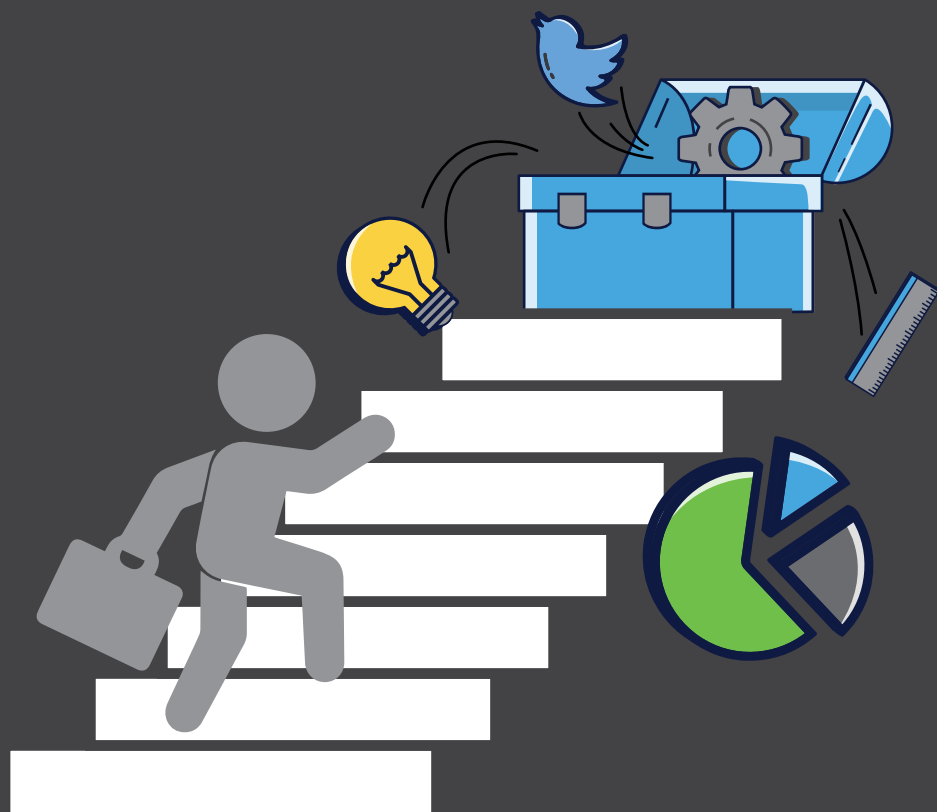


TOOLS TO FRANCHISING

7 STEPS TO FINDING THE BEST FRANCHISE



**KIMBERLY HOANG
JOHN BALKHI**

OUR PURPOSE

Our team at Business In A Box collectively has over 30 years of franchising experience. Because the franchising business has allowed us flexibility with our personal and professional lives, we enjoy helping others find similar opportunities. Given our work with dynamic entrepreneurs who have shared and taught us their best practices, our diverse backgrounds and knowledge can provide you with a unique perspective on franchising. As current franchise operators and consultants, we understand what makes a brand successful. We hope that you'll use this manual and allow us to be involved in your journey. Using our resources and network, we want to find and guide you to the best franchise company that can meet your financial goals and personal aspirations. At Business In A Box, we live by the mantra of "Teamwork Makes the Dream Work," and we hope to help you discover the opportunity to fulfill your next dream!

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Chapter 1: Franchising Basics 101

Before you start your path to franchising, you should understand what franchising is and the terminology used prior to your investigations. These terms will be used throughout this manual and your franchising experience.

What is a Franchise?

The International Franchise Association defines franchising as “simply a method for expanding a business and distributing goods and services through a licensing relationship. In franchising, franchisors (a person or company that grants the license to a third party for the conducting of a business under their marks) not only specify the products and services that will be offered by the franchisees (a person or company who is granted the license to do business under the trademark and trade name by the franchisor), but they also provide them with an operating system, brand and support.” Below are key terms that are crucial in building relationships between franchisors and franchisees:

Multi-Unit Franchisee

A multi-unit franchisee is one that has been granted the rights by the franchisor to open and operate more than one unit.

Area Developer Franchisee

The franchisor has granted the right for a franchisee to open more than one unit during a specific time, within a specific area. For example, a franchisee may agree to open 10 units over a 10 year period in a specific territory. The franchisee is given the exclusive rights by the franchisor for development within that territory.

Master Franchisee or Area Representative Franchisee

These terms can be used interchangeably depending on the franchise company. In this model, the area representative (typically also an area developer) buys a territorial franchise to sell and service unit franchisees within a specific territory. Although they are not contracted with their area representatives, the unit franchisees sign agreements directly with the franchisors. Area representatives take over many of the tasks of the franchisors and provide additional support and training to their unit franchisees. In return, the area representatives receive a portion of the initial fees, and royalties paid from the unit franchisees to the franchisors.

Franchise Agreement

A franchise agreement is a legally recognized, binding contract which outlines the franchisor's terms and conditions for the franchisee and is enforced at the state level. It also outlines the franchisor's and franchisee's obligations. Each state has unique laws regarding franchise agreements.

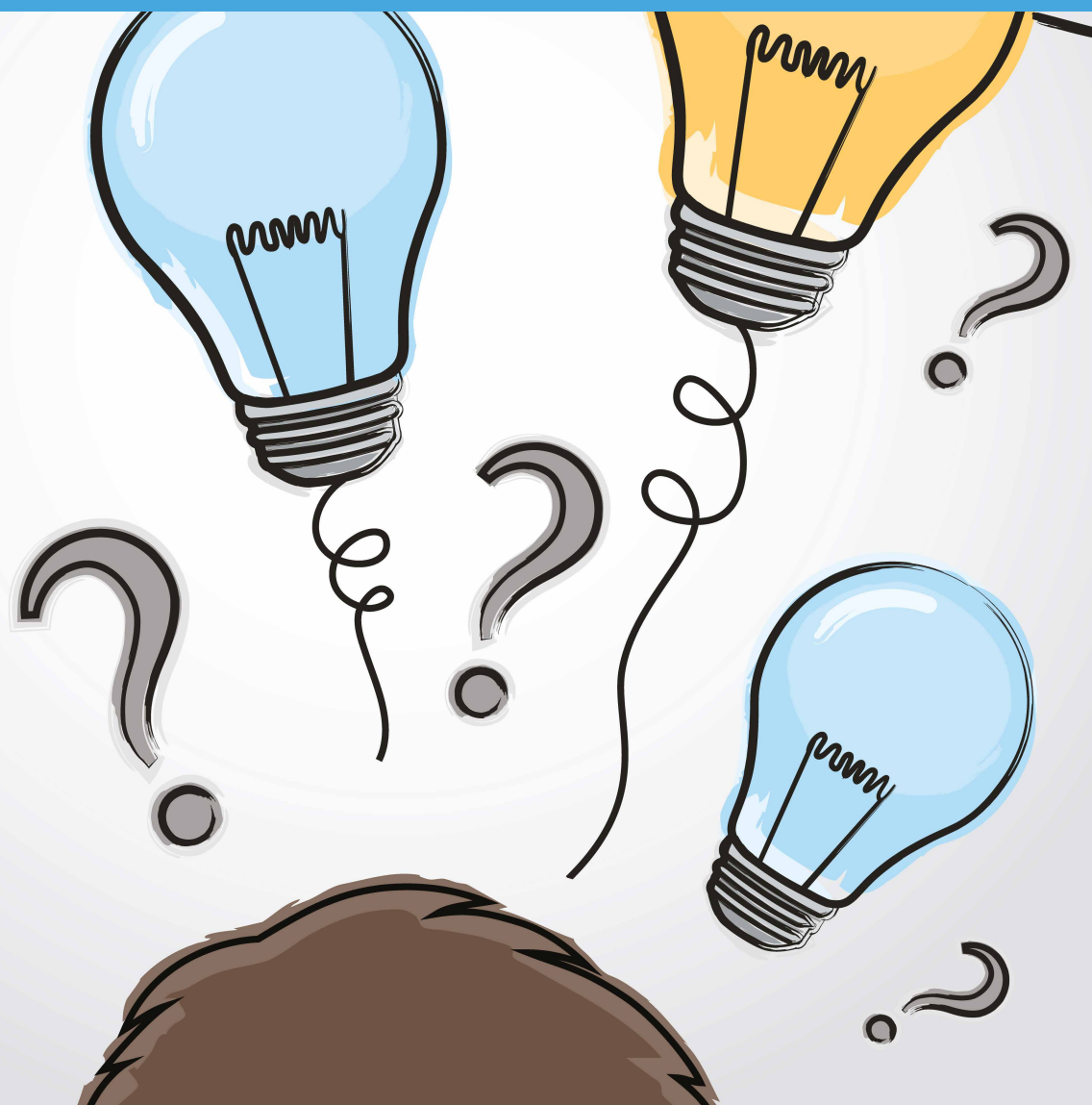
Franchise Disclosure Document aka "FDD"

A franchise disclosure document (FDD) is a legal document that is presented to prospective buyers of franchises in the pre-sale disclosure process. This document provides detailed information about the

franchisor and franchise system.

Royalty

A royalty is a regular payment made by the franchisee to the franchisor, typically based on a percentage of the franchisee's monthly gross sales.



Chapter 2: Me, Myself and I

All information aside, you are the most important part of this business journey. In order for you to find the best opportunity available, you'll need to take some time to thoroughly answer the following questions:

- What skills, experience and interests do you have?
- What are your strengths and weaknesses when it comes to business?
- How much money can you invest, and how much would you like to make?
- Are you comfortable managing others, or would you prefer to work alone?
- Where would you like your business to be located? Are you willing to relocate?
- How much time would you dedicate to your new business, and what hours are you willing to work?
- Will you be keeping your day job or using this venture as an exit strategy?
- How would your significant other and other affiliated parties feel about this process, and how will they be involved?

Business ownership is neither easy nor is it meant for everyone. In order to be successful, you'll need to determine exactly what your personal and financial goals are and what you're willing to do. However, once you have considered these factors, you can use a franchise to achieve financial freedom, career fulfillment, and flexibility to pursue other passions.



Chapter 3: Do I Need A Consultant?

With over 3,000 franchise companies on the market, having a skilled franchise consultant can simplify your life and save you time.

Why would I need a consultant if I can just read this eBook? That's like asking why you would need a biology professor if you could just read a textbook to learn photosynthesis. Similar to a professor helping you comprehend a difficult subject, a consultant can walk you through the occasionally daunting franchise experience and provide feedback for each step you take. In working with Business In A Box, you'll have THREE experienced franchise operators at your disposal. With our combined effort and experience, we guide you through and strategize for each step.

When it comes to selecting a franchise, strategizing territories, understanding operational models and analyzing finances, working with a franchise consultant will give you the edge above everyone else. There are several factors that you will need to consider when selecting a franchise company. Some scenarios to consider include the following:

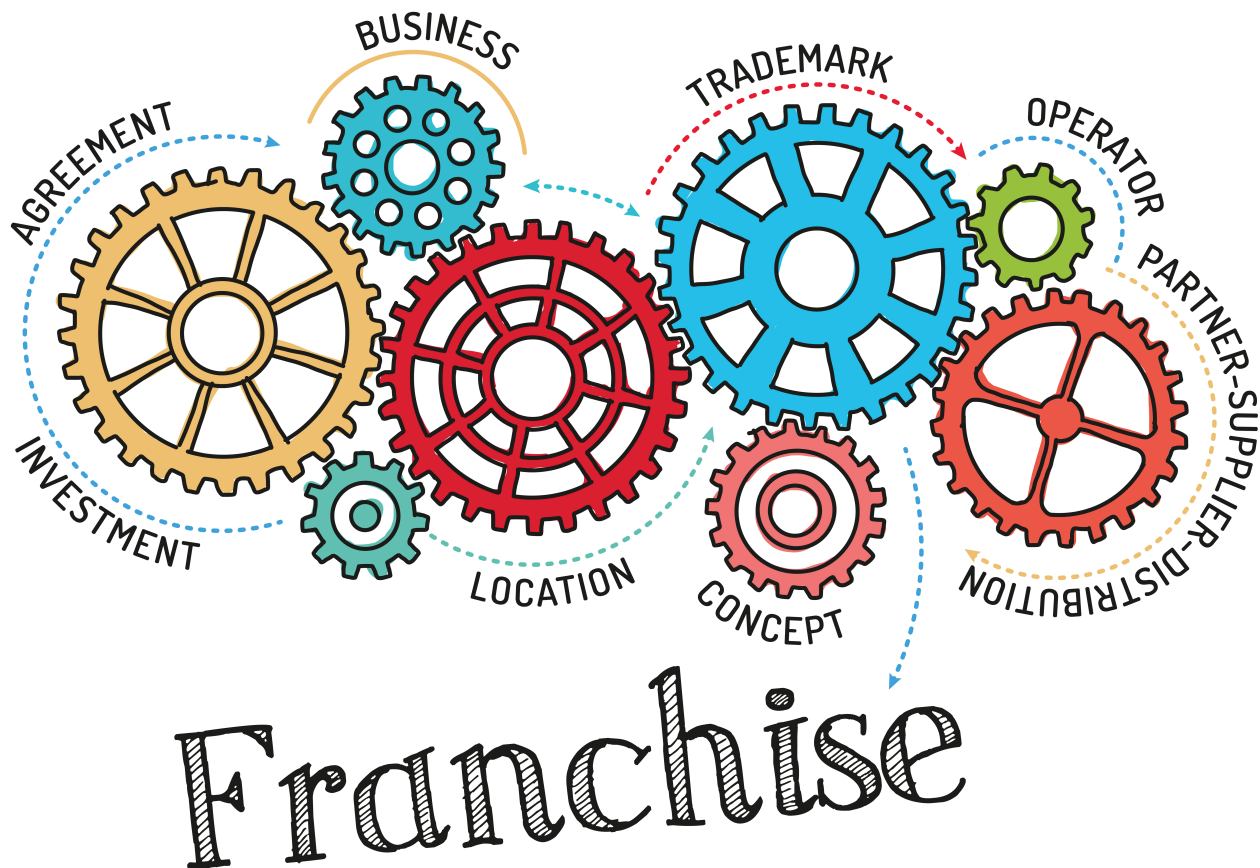
- Is it better to choose an established brand or an emerging one?
- What are the pros and cons of each, and how do you know if that emerging brand isn't just a "trend?"
- What territory/location is best suited for a successful operation?

Given the time and energy we have devoted to this industry, we can predict how each factor will interact with each other. Having experienced franchise consultants who understand different markets and their revenue potential can help you score prime territories before they are all sold.

You also have other aspects to consider such as multi-unit ownership and the possibility of becoming an area developer. As our organization has experience working with both models and operating franchises, we understand what it takes to scale your business, how to build the right infrastructure alongside a strong team and how to successfully develop an entire territory.

Lastly, individuals who pursue a franchising opportunity often underestimate or overlook processes such as financing. Many people don't know where to start, what type of loan to select, or what type of financing they would qualify for. However, we at Business In A Box developed an 8-step program that can navigate you through multiple avenues. Each step has a specific purpose and function to lead you to the right opportunity. As such, our consultative model has been successful because we know what questions to ask that relates directly to a franchise opportunity. All your answers during that step are then built into a

personalized model, and we use that model to analyze multiple franchise companies. Candidates who have worked with us feel that our program is specific, goal oriented, and time efficient. With our complimentary services, individuals like yourself have little to lose in working with us.



Chapter 4: How To Evaluate A Franchise

One of the most important aspects of your due diligence process is keeping an open mind. Whether you've decided to use our help at Business In A Box or conduct your own research, it's best to keep all options open when considering a franchise. We've done our very best to help keep this process easy, so don't stop reading just yet.

First off – respect the franchisor! Understand that while this particular opportunity may be foreign to you, the franchisor has a proven model that has been backed by sound financials and undergone multiple trials to produce those results. Keeping an open mind is the best strategy you can employ to implement a new hot concept or to find something that will thrive in your market.

This entire process is a mutual interview--much like a marriage--that typically last for 10 years. The franchisor will want to find franchise operators that are like-minded, motivated, and passionate about their business model and vice versa. It's unlikely that the first opportunity you investigate will be a match made in heaven, but an initial investigation is still worthwhile.

As soon as you've communicated with the franchise, a franchise representative will contact you through an introductory call or webinar to cover a general overview of the company. Usually, this is the same person with whom you'll be in continuous communication during your entire process. This is the first part of your mutual interview, so it's a good chance to start building a relationship with the franchisor.

Once that step is completed, you'll receive the Franchise Disclosure Document and a series of additional calls

that will cover the unit economics. Don't be intimidated! This document can be quite hefty to read, but it will provide you with information regarding the franchisor, its operating system and financials, and franchisee obligations. The FDD is broken down into several items. Here's a list to help you navigate through it:

Item 1 – The Franchisor

This section provides the history and description of the franchisor and any parents, predecessors, and affiliates.

Item 2 – Business Experience

This section identifies the executives, officers, and directors of the franchise system, along with their biographical, professional, and business experience.

Item 3 – Litigation

This section discloses prior and current litigation involving the franchisor as well as criminal and civil lawsuits of the franchisor and its management.

Item 4 – Bankruptcy

This section discusses whether the franchisor or any of its executives have gone through a bankruptcy.

Item 5 – Initial Fees

This section describes the costs involved in the initial fees

of starting and operating the franchise.

Item 6 – Other Fees

This item provides a description of all recurring fees such as advertising and additional fees such as training.

Item 7 – Initial Investment

This item is typically presented in a table and has line-by-line details of all expenditures required by the franchisee in order to open and establish a franchise.

Item 8 – Restrictions on Sources of Products and Services

This section lists the suppliers from whom a franchisee may or may not purchase goods.

Item 9 – Obligations of the Franchisee

This item indicates where in the franchise agreement franchisees can find the obligations with which they have agreed and signed.

Item 10 – Financing

This section details the terms and conditions of financing arrangements provided and offered by the franchisor.

Item 11 – Obligations of the Franchisor

This section details the services that the franchisor will provide to the franchisee such as training, advertising,

and computer systems.

This section outlines territory restrictions, the description of any exclusive territory and whether or not territories will be modified.

Item 13 – Trademarks

This section provides information about the franchisor's trademarks, trade names, and service marks.

Item 14 – Patents, Copyright and Proprietary Information

This section provides information about how the franchise's copyrights and patents can be used by the franchisees.

Item 15 – Obligation of the Franchisee to Participate in the Actual Operation of the Franchise Business.

This section details the obligations of the franchisee to participate in the actual operation of the franchise business.

Item 16 – Restrictions on Goods and Services sold by the Franchisee

This section details any restrictions on the goods and services that the franchisee may offer and sell to its customers.

Item 17 – Renewal, Termination, Transfer and Dispute Resolution

This section provides information on whether or not your franchise can be renewed or terminated and when it can be done. It also gives you information on what your rights and restrictions are when you have a disagreement with your franchisor.

Item 18 – Public Figures

If the franchisor uses public figures such as celebrities, this section provides information on the amount that the person is paid.

Item 19 – Financial Performance Representations

The section is where you will find information on unit financial performance. Franchisors are allowed but not required to provide metrics in this section.

Item 20 – List of Franchise Outlets and Franchisees

This item details locations and contact information of all existing franchises.

Item 21 – Financial Statements

This item will have audited financial statements for the past three years.

Item 22 – Contracts

This item provides the agreements that the franchisee will be required to sign.

Item 23 – Receipts

All prospective franchisees are required to sign this receipt when they receive the FDD.

We highly advise that you take extra time to review items #3, #7 and #19. Due to their financial and legal nature, these are the most important sections of the FDD. If there is any litigation listed in Item #3, look into it immediately; that's a red flag that something could have potentially gone very wrong. Items #7 and #19 are all about the numbers; although they may be intimidating and complex, the financial details are essential to understanding, starting, and sustaining a unit franchise. Additionally, they are necessary to predict the business' income potential and determine if the business is aligned with your financial goals. You can ask your franchise representative if they have a projections template available. Often times, they will have a pre-made template that allows you to enter in your own figures, so you can make calculations consistent with your market. Once completed, you'll know exactly what revenues are needed to be produced monthly and annually to reach profitability and how much capital you'll need to inject

into the business for startup. Do not skip this process or wait until financial distress occurs to understand the financial side of business.



Chapter 5: Validate With Franchisees

This will be one of the most important and critical steps you take during your investigation. Call as many existing franchisees as you can! These franchisees are your best source of information for finding out what happens in the business on a day-to-day basis. Here are some questions you should consider asking:

- Are you happy with your corporate team?
- How has your overall experience been?
- What was your overall initial investment?
- How do you rate the training and ongoing support that was provided to you?
- What marketing campaigns did you enact and what were the results?
- What do you like and dislike about the business?
- What do you think the franchisor could improve on?
- What has been your biggest struggle?
- What objectives have you performed in your unit that has shown great results?
- How profitable are you and how long did it take for you to get there?

Items #7 and #19 in the FDD should always be validated with franchisees. Remember to review these items during your calls, and be sure to write down all the figures in order to cross-reference them with your completed projections. You will know from there if your income goals are realistic and achievable.

Keep in mind, many of these franchisees are multi-unit operators, are involved with several other brands, may

still be employed with their day job, and of course, have children and families of their own. Connecting with them initially might be a challenge, but if you stay persistent, you'll be able to reach them.

Gathering a variety of opinions can present a clear picture of not only the franchise itself but also your place in the organization. While this process can be tedious, it is pivotal in your ability to make a definitive business decision.



Chapter 6: Meet The Franchisor

Every franchise company will host Discovery Days, usually once or twice a month. These are typically on-site meetings that last one to two days. It can be held at a unit location or at the franchise corporate headquarters. This is your chance to meet the franchisor and the key personnel responsible for driving the franchise company. You'll get an overview of their background and experience, and from there, you will be able to assess their overall competence.

Remember, this is still a mutual interview, so while you are evaluating them, they will also be evaluating you. Try to build strong relationships with everyone because these individuals will be responsible for supporting your needs in training, operations, marketing, etc. It's a good idea to also speak to your fellow attendees. They may have knowledge and information that you're unaware of, and they may also potentially be future neighboring franchisees. Lastly, come to Discovery Day prepared with any remaining questions and concerns that you would like addressed.



Chapter 7: Signing The Agreement

This final step can be the most difficult. You've done all your research, narrowed it down to the franchise company you believe is the right opportunity, but out of nowhere, you're stuck. There's always that hesitation at the end when our fear and reservations kick in. We've seen many individuals sabotage themselves because they let their fear control their decision making. What's important to remember is why you started this process in the first place.

If needed, go back to Chapter 2 and review the list of guiding questions; ask yourself one last time if you've been able to meet every need. If you worked with us, review your model, and see if it matches the opportunity. There will never be a perfect situation or business. However, if you thoroughly evaluate yourself, the business, and the process, you shouldn't let fear hold you back. Anxiety is normal with any new adventure, but the best way to move forward is to turn that anxiety into excitement! Never give up on your aspirations and be excited to work for those goals.

CLOSING NOTE

We sincerely hope that after reading this book, you have learned that franchising can ease the transition into business ownership and help develop relationships with dynamic and bright people. Franchising entrepreneurs come from various walks of life, but sometimes, you may have the opportunity to meet others who mesh well with you, your goals, and personal values. We like to call this scenario a “quantum entanglement.” Regardless of backgrounds, skill sets, or goals, we firmly believe that business is not just about financial gain, but more importantly, it is about caring and building meaningful relationships with people. With an open mind and dedication, you can become more than just colleagues with these like-minded individuals; more importantly, you can grow into lifelong friends. After all, people are the best part of the business journey.



OUR STORY

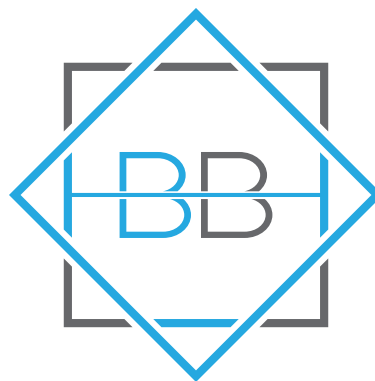
Meet John Balkhi, Erica Balkhi and Kimberly Hoang.

John and Erica Balkhi have 3 children and 2 golden doodles. As serial entrepreneurs, they are absolutely addicted to businesses of all kinds. Take a quick look at their resumes, and you'll see years of top-notch experience in industries such as mortgage, real estate, pharmaceutical sales, tax, insurance and franchising of all sorts. At one point in time, they managed over 700 employees and owned 20 different franchise units.

John and Erica met Kimberly several years ago during Kimberly's grand opening of her franchise unit in Orange County. They all immediately bonded over their love for the beach, similar musical genres, an obsession with snacking - particularly spicy salsa and chips - and most of all, dancing through the night with good music and even better drinks.

All mutual interests aside, John and Erica were impressed by Kimberly's unique background in pharmacy, clinical healthcare, ABA therapy for autistic children, and business development. Outside of her work with Business in a Box, Kimberly has been involved in various franchise concepts as a multi-unit franchisee and area developer in industries ranging from health, massage, and beauty.

Our "quantum entanglement" was a blessing, and we want to share the opportunity to change people's professional and personal lives for the better. We hope we can cultivate the experiences we've had by supporting and maybe even meeting our readers!



BUSINESS IN A BOX



**BUSINESS OWNERSHIP
MADE EASY**