

THE LIST

Franchise Companies Find Retail Room to Grow

LIST: Business model's advantages help Valley franchisers expand outlets.

By **STEPHANIE BEDOLLA** Staff Reporter

2017 was a hit-and-miss year for Valley region franchisers, based on data in the Business Journal's annual list of companies.

Franchise Direct, a website that connects entrepreneurs with franchise companies, estimated that retail product franchises grew 5.5 percent during 2017, and food-based franchises at 4.1 percent. But while some local franchisers expanded during the year, others contracted.

For example, after **PizzaRev** was acquired by venture capital firm **Cleveland Avenue**, it closed several locations including one in Oxnard, another in Ohio and two in Minnesota, according to media reports.

The Business Journal estimates Westlake Village-based **PizzaRev** has 26 franchised locations and ranks 12th on the list of franchisers.

Retail opportunities

Color Me Mine Enterprises Inc. in Glendale franchises do-it-yourself ceramics studios and has 129 franchisee-owned locations. President **Michael Mooslin** said the ingredients for a successful franchise are the same elements for any retail business.

"You need a barrier to entry, the second would be sustainability, and the third would be something that you can offer more services as it grows," he said. Color Me Mine, sixth-ranked company on the list, offers franchisees an exclusive territory with brand awareness and looks for locations with no competing businesses within a 20- to 30-minute drive.

To accommodate franchisee needs into its business, Color Me Mine has set up an advisory council of store owners.

"We have weekly reports and annual meetings; we send out marketing bulletins every week; we do an independent audit of our franchisee satisfaction with their franchise every year. It's an anonymous survey and we total all the results for stores on dozens of different areas. On a scale of 1 to 5 we are about a 3.7 to 3.8," Mooslin said.

Idan Shpizear, founder of **911 Restoration Franchise Inc.** in Van Nuys, the number five franchiser on the list, said his top goal is to make sure new franchisees understand the numbers behind the business, and can see what type of



At **Ameci Pizza & Pasta**, a restaurant franchise in Canoga Park that ranks eighth on the Business Journal list, new franchisees pay a fee of \$25,000. But President **Nick Andrisano** believes it's worth it because his organization helps avoid problems during the opening process.

"There is no problem with owning a franchise, because we make sure that we watch every aspect before opening one," he said. "There is great companionship, a great friendship forged, and we really do a good job."

The major advantage of the franchise model is brand recognition and marketing support. Franchise organizations often have websites and run advertising or other marketing campaigns to generate leads and bring in customers, according to Shpizear at 911 Restoration.

He noted that franchises begin with a business plan, compared to 90 percent of small businesses that don't have a business plan when opening. Most entrepreneurs will try learning as they go and hope for the best, but in most cases, without a business plan the company will fail. If the franchise system has a business plan and teaches its franchisees the meaning behind their numbers, success becomes more probable. Shpizear said 911 Restoration franchises average around \$300,000 in revenue their first year, and overall as a company they have been able to add six new franchises in the last two months of 2017.

When it comes to handling change – such as a new marketing campaign or new menu items – franchisors' experience proves valuable, said Andrisano at Ameci Pizza.

"We handle it in house, we have an IT department, we go online with different companies such as Yelp, Eat 24 and Grub Hub," he explained. "We do a lot of digital marketing, some print marketing and then the new products that are coming we trail them out in all our stores. The company has five stores, so we try them out in all five stores for at least six months to see what the results are and then after that we just put it into the company line menu."

Color Me Mine has maintained a steady increase of new studios, around eight to 12 a year. Mooslin said the top 25 stores average more than \$120,000 in free cash flow to the



PHOTOS BY DAVID SPRAGUE

Top: Michael Mooslin with painted plate; below, interior of Color Me Mine in Burbank.

owners at locations such as Pasadena, Beverly Hills and Studio City. The company has posted a 3 percent sale increase every year since 2010, he added.

Post-recession appeal

Barry Kurtz, an attorney specialized in franchise and distribution at **Lewitt Hackman Shapiro Marshall & Harlan** in Encino, said franchising has gained new appeal since the Great Recession.

"When the recession came along and people were losing their jobs and were too young to retire, most people that we dealt with were white-collar people who wanted to continue to do something that they already knew," he told the Business Journal.

However, Kurtz pointed out that even with a franchise model, starting a business involves risk. The first step a business owner should take

when deciding to venture into franchising is what kind of business he or she wants to run and then research the industry, Kurtz said.

"Every franchisor is required to give a franchisee disclosure documents that explains the business to them," he said. "If they decide to go forward, then the franchisee has a responsibility to get that business open."

Kurtz thinks that overall, entrepreneurs are wise to consider the benefits that an investment in a franchise business brings.

"The franchisor has a responsibility to train the franchisee and get them open for business. There is increased purchasing power, bringing down your cost of goods; the franchiser has the ability to market in a broader way; there is training required so people can get into a business and they are taught how to operate and better operate," he said. "If they're on their own, they don't have those advantages."

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IDAN SHPIZEAR,
911 Restoration Franchise Inc.

action is needed to have a successful franchise.

For would-be entrepreneurs, a franchise is "absolutely a good investment," Shpizear said.

"Eighty-five percent of independent businesses fail within the first two to five years. In a franchise model, 85 to 90 percent succeed. The reason is a proven system and you are a part of a network of other business owners that want you to be successful," he explained. "The goal is take (franchisees) away from being a reactive business and become proactive, to understand the numbers, how to change and how to understand the business."

As for the size of investment, a 911 Restoration Franchise requires an initial commitment of \$130,000 to \$150,000. Franchises for Color Me Mine start at anywhere from \$150,000 to \$170,000.