



IS FRANCHISING FOR YOU?

Franchising in home renovation is set to grow. The key: creating systems that can be duplicated anywhere. We take a look at what this business model has to offer

B Jim Cory

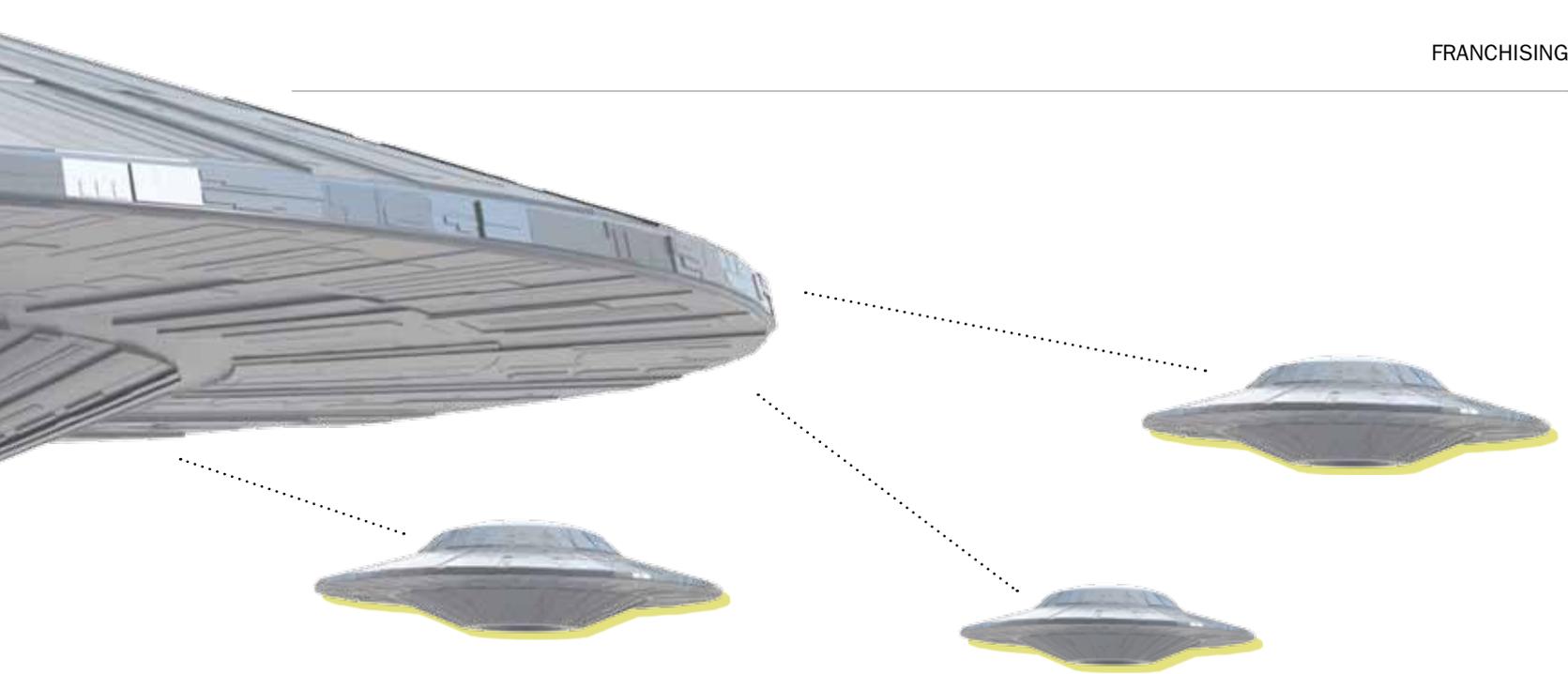
Here's something you probably didn't know: Every eight minutes of every business day, someone in the U.S. opens a franchise location. Franchises are so pervasive and blend so seamlessly into the business landscape that we hardly notice them. You might do business with nearly a half-dozen franchises in a day—eating lunch (Burger King), buying screws (Ace Hardware), getting your car repaired (Maaco), renting a replacement car (Hertz), shipping a package (The UPS Store).

Here's something you probably did know, or you at least suspected: Franchise companies tend to be more sustainable than other types of businesses. An Arthur Anderson & Co. study of 366 franchises found that 97 percent were still in business after five years,

a figure confirmed in a U.S. Department of Commerce report, which found that fewer than 5 percent of franchises are terminated each year. Compare that with the U.S. Small Business Administration study, which found that 62.2 percent of new businesses fail within their first six years.

Positioned for Growth

Franchises are popular with aspiring business owners for good reason: they tend to be successful, sustainable, and, ultimately saleable. But franchising, like many businesses, took a hit during the Great Recession. Franchise unit numbers fell after 2008, as franchise businesses failed or franchisees that wanted to expand



DreamMaker is one of eight home improvement franchises offered by the Dwyer Group, with corporate sales of \$1 billion. Doug Dwyer is president and CSO at DreamMaker Bath & Kitchen, in Waco, Texas.

found that they couldn't get credit. "Most of the prospective franchisees were damaged greatly," says Doug Dwyer, president and CSO at franchisor DreamMaker Bath & Kitchen, in Waco, Texas (dreammaker-remodel.com). The recession left "some pretty big scars," he says, and even today, prospective franchisees remain skittish.

Even so, franchising began to rebound in 2012, with lodging, health care, and casual dining leading the way. Home renovation franchises are coming back, too. According to research center IBISworld.com, a fully recovered housing market and annual sales of at least 5 million existing homes will drive franchise growth in the fields of handyman, plumbing, electrical, and home inspection. "Franchises in the home improvement sector," the center's report states, "are well-positioned to capitalize on the recovering economy and obtain a strong foothold for future growth over the next five years." IBISworld.com projects, for example, that handyman franchise revenue will reach \$3.1 billion in 2018.

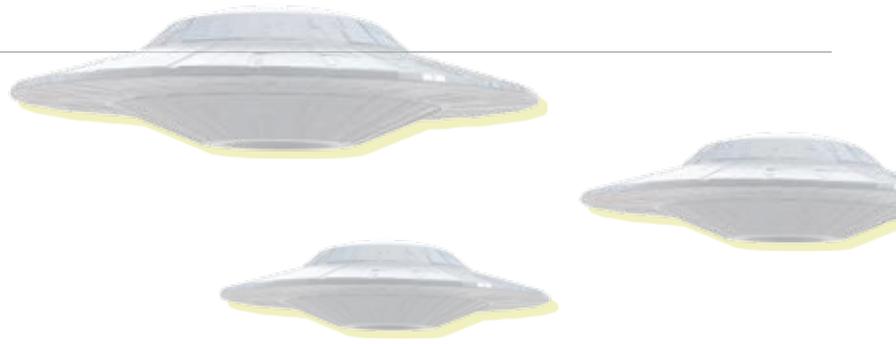
Niche Brands

That number seems conservative to Brad Fluke, CEO of The Honey Do Service (yourhoneydo.com), the newest of more than a half-dozen franchises offering home repair. Like many franchisors, Fluke's idea was to take his own highly systematized

HANDYMAN IN A BOX

Founding owner Brad Fluke says that The Honey Do Service differs from some older competitors in the handyman field in two important ways: Honey Do offers homeowners a fixed quote price for work rather than charging by the hour, and it uses only employees to do the work. Since finding "the right people to do the work" is the No. 1 challenge for home renovation companies today, the franchisor provides "tools of retention" at no cost to its franchise units: a 401(k) plan, short- and long-term disability insurance, dental insurance, and life insurance. New franchises get four weeks of corporate training, a state-specific general contracting license, and Environmental Protection Agency lead-paint certification. They're also assigned a marketing coach to help make leads flow. Fluke says that his goal is to make The Honey Do Service franchise company a national brand.





“We want highly motivated people who will follow a proven system.”

—Brad Fluke, founder, The Honey Do Service

Virginia-based operation and multiply it out exponentially (there are 26 franchises so far). In home renovation, this has worked far better in narrowly focused niche offerings than in full-service remodeling, an industry that consultant Mark Richardson calls “unfranchisable.”

“The ‘full-service’ franchise has crashed and burned,” Richardson says, while highly specialized franchises such as insurance restorer Paul Davis (pauldavis.com), house painter CertaPro (certapro.com), and storage maven California Closets (californiaclosets.com) are continuing to add units and volume.

Franchises are typically able to charge substantially more than local independents because franchise brands come with the assumption of professionalism, stability, and reliability.

“We do everything,” explains Lisa Walling, co-owner with her husband, Jeff, of bath franchise ReBath of Tucson



Lisa and Jeff Walling were ReBath customers before they bought their franchise. A business model that relies on staff installers enables ReBath of Tucson, their company, to keep jobs rigorously on schedule.

(tucsonbathroomremodel.com). The ReBath model uses only employee installers, which enables the Wallings’ company to run “a very tight schedule” on a type of project that, when it lags, seriously inconveniences homeowners.

Specialists Prevail

In franchising, the brand is a business model, and whether or not it’s successful usually has more to do with how much energy and attention franchisees will put into it than the feasibility of the model itself. To turn your business into a franchise requires systems that can be taught and replicated anywhere.

Take gutters, for example. For years, people had asked Ryan Parsons and his brother, Ken, whether their business, The Brothers That Just Do Gutters (brothersgutters.com), in Poughkeepsie, N.Y., was a franchise. It wasn’t. But, inspired by Michael Gerber’s book *The E-Myth*, as well as the hugely successful franchise 1-800-Got-Junk, the Parsons set out to turn every part of their gutter business into a documented process that would be portable and repeatable. (Read more about the Parsons on page 22.) Last year they launched The Brothers That Just Do Gutters franchise.

Gutter businesses, Ryan Parsons says, are a lot like independent junk haulers: It’s one guy, a helper, and a truck. “I don’t know many who do more than \$300,000 in sales,” he adds. What the brothers figured out was that a well-managed gutter operation could generate millions in sales—their Poughkeepsie gutter business multiplied sixfold, from \$500,000 initially to \$3 million last year—with a healthy gross margin. Replacing gutters wasn’t new, but their method of running a gutter company was.

“We just have a really good way to do this,” Ryan says. Before launching, he and his brother took themselves out of the management of their own gutter company to focus on a franchise business that is “all about support.” Recognizing that their initial franchisees would likely be installers looking to become businessmen, they set up a centralized call center to process inbound leads and set appointments at all the Brothers franchises.

“[As a franchise] job size is significantly more, and I can produce twice the sales with the same amount of labor.”

—Curt Trampe, owner, DreamMaker Bath & Kitchen of Springfield

Why Buy a Franchise?

Franchisors will be the first to tell you that franchising is not for everyone. But for installers who are unfamiliar with marketing or sales, businesspeople without contracting experience, or remodelers looking for a brand to build on, the right franchise often clicks.

Curt Trampe, owner of DreamMaker Bath & Kitchen of Springfield, Ill. (dreammakerspringfield.com), had a solid remodeling business when he bought the kitchen & bath franchise eight years ago.

“Things were going well,” he recalls, but he saw DreamMaker as a way to exclusively focus on kitchens and baths—the two projects he prefers. Last year his franchise business did \$1.8 million, which



Curt Trampe spent about a year transforming his remodeling business into DreamMaker Bath & Kitchen of Springfield. One of the best things about being a franchise, Trampe says, is the chance to network with other owners and compare performance.



MAILBOX MONEY

Almost 20 years ago, the company that’s today known as The Brothers That Just Do Gutters, in Poughkeepsie, N.Y., started as Ken Parsons’ part-time summer job. With a desk, a truck, and estimating sheets from Staples, that summer job grew into Water-flow Gutter Solutions, a gutter installer doing most of its work for general contractors and builders.

That all changed between 2008 and 2010, when Ken (left, in photo) and his brother, Ryan, shifted the focus of their business, making homeowners their primary customers.

ALL SYSTEMS GO

The Parsons brothers set out to “make every aspect of our business a system that could be followed,” Ryan says. Given job size—\$1,500—lead procurement was a constant. Converting leads into jobs was critical. The right price was essential.

Ultimately, the biggest challenge was finding people who could install, interact comfortably with homeowners, and stay on schedule. So the Parsons brothers created a five-rung skills ladder, which kept them in crews. “We were creating a franchise model and we didn’t even know it,” Ryan says.

When they did decide to franchise, the model was 1-800-Got-Junk, a hugely successful junk removal franchise, 11 years old, with more than 200 franchises in the U.S., Canada, and Australia.

A franchise with 10, 20, or 100 units would supply them with what Ryan Parsons calls “mailbox money.” (To watch

a video about the process, go to YouTube and search “How The Brothers That Just Do Gutters franchised their business.”)

REPLACE YOURSELF

But becoming a franchise was more difficult than the brothers had anticipated. They realized that they had to be paperless before going into franchising. Then, before launching, they decided to re-brand, with a new logo.

They researched the gutter industry, concluding that potential franchise rivals were few, small, and pretty much inert.

Then, the Parsons brothers say, “we literally had to replace ourselves,” hiring others to run the gutter company, so that they, in turn, could manage the franchise.

“Once you do this,” Ryan says, “you’re no longer in the gutter business, you’re in the franchise business.”

The last step was having an attorney draw up a Franchise Disclosure Document with the Federal Trade Commission, which contains essential information (including audited financial statements) and must be furnished to franchisees.

In 2014, they became a franchise, and they now have four units.

WHO’S THE IDEAL FRANCHISE CANDIDATE?

It’s someone who wants to own a business, not just have a job, Ken says, adding, “When you own a business, it runs without you.” —J.C.

was double its sales of eight years ago, at far better margins. “Job size is significantly more,” Trampe says, “and I can produce twice the sales with the same amount of labor.” The showroom-centric DreamMaker model has also considerably cut down on Trampe’s windshield time.

What It Takes

Thinking about buying a home renovation franchise? Here’s what you’ll need:

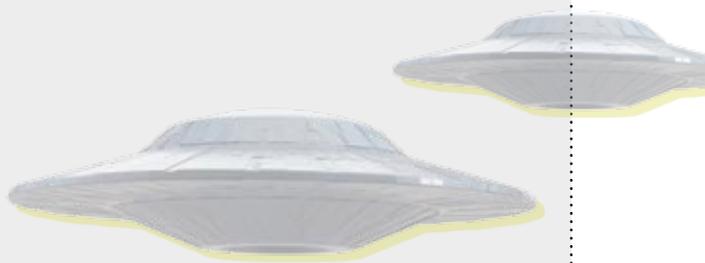
- **Commitment to succeed.** Franchise companies are happy to take your money, but they also want you to thrive. A healthy franchise base helps them sell new territories. So they look for “someone with drive, ambition, a commitment to excellence, and a heart for service,” Dwyer says.
- **Openness to suggestion.** A good franchise will train you to fully understand production, payroll, sales, marketing, and customer service. But that training will only be valuable if you use it. “We want highly motivated people who will follow a proven system,” Fluke says.
- **Specific skills.** These include leadership, management, and professional selling skills. Professional selling is important because the typical home improvement franchise will work from a pricing model that calls for a higher gross margin to support net profit goals. Those higher margins come from knowing how to sell the efficiency and quality of the operation.

“The ‘full-service’ franchise has crashed and burned.”

—Mark Richardson, consultant

In contrast, franchises that are highly specialized, such as those focused on insurance restoration and house painting, continue to thrive, adding units and volume.

- **Capital.** A good franchise lists startup costs on its website (for a list of building and remodeling franchises, with startup costs, search for “franchises” at entrepreneur.com). If you already have a location, trucks, and staff, “the number falls fast,” Fluke says. You’ll be at the bottom of that range, paying for not much more than the one-time franchise fee. If you don’t, costs move up to



FRANCHISE CHECKLIST

TOTAL INVESTMENT: Capitalization costs, which include the franchise fee, tools and equipment, leased office space (if you’re not working from home), personnel, marketing investment, and selling expense. Usually given as a range.

FRANCHISE FEE: What you actually pay to join a franchise in exchange for the right to use the franchisor’s trade name, trademark, and operating systems, plus training, software, and more.

ROYALTY RATE: What you pay to the franchise as a percentage of your gross revenue. The amount typically ranges from 4 percent to 8 percent of gross annual revenue.

TERM OF AGREEMENT: Length of time that you’re contracted to the franchise. Usually five to seven years, but it can be longer or shorter.

MARKETING FUND: Some franchise organizations charge individual franchisees a fee that goes into the general marketing fund aimed at generating leads across the entire franchise.

See entrepreneur.com/franchises/categories/home.html for a list of companies and startup costs.

include all that, plus the funds to carry you through training. Most franchise operations will want you selling and installing immediately after completing the training, but you’d still need to budget several month’s worth of operational expenses to carry your business to the point where it’s more than breaking even.

Work to Advantage

For franchisees, what makes it worth the investment is the ability to offer a well-branded name as a locally owned business—just like Burger King, just like Subway. But for DreamMaker Bath & Kitchen of Springfield’s Curt Trampe, the best part was the connection to other entrepreneurs in remodeling through regular biannual networking sessions. “That makes it easy to put your business side by side with theirs and do comparisons,” he says. **PR**

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