

FRANCHISING

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go with a franchise — rather than start an enterprise based on their own original idea — is the support and name recognition that a franchise offers.

That's why Trexler said he went the franchise route.

"Money wise, a franchise costs more, but starting a business without it is taking a shot in the dark and hoping that you know what you're doing," he said.

Even though he is a Six Sigma Black Belt, he said that he didn't know much about making sandwiches and that the Java's Brewin' franchise gave him training and networked him with other franchise owners to get advice on running the business.

Finding funds

While more people than ever are investigating franchise ownership, Johnson said banks aren't backing them.

Despite the great interest, "the industry is actually in a slump right now," said Johnson. "It's just about the biggest slump I've seen in seven years."

He said with the number of people defaulting on mortgages and the number of businesses failing, "that's on the lenders' books."

As a result, banks have less money to lend, and are being more conservative with the loans they do make.

"They're sensing the economy might still be tough for a little while," said Johnson.

Ellen Molle, communications manager for the Reading-based Sovereign Bank, agreed.

"It's a difficult economic environment for a startup right now, not just at Sovereign, but with any bank," she said.

But she doesn't say finding a loan is that much more difficult than it would have been a few years ago.

"We're still looking for investments," she said. But she also noted that all banks are more inclined to give funding to a "solid business with a solid track record."

More options

For those individuals who can get the startup money, the options are wider than ever.

According to Marty McDermott, an East-on-based marketing professor for the online Kaplan University, two years ago there were about 2,400 different franchises for an individual to invest in. Today, he said there are about 3,000. Johnson, who co-hosts a Web-based franchise radio program on www.franchiseinterviews.com with McDermott, said those franchises span 80 different industries.

There are more options because people with successful startup businesses are looking to expand into franchises, said McDermott.

However, he said more is not necessarily a good thing.

"Everybody thinks they're going to be the next McDonald's," said McDermott. "It's not helping."

McDermott said the saturation of franchising options has made lenders even more wary of which may be profitable ideas.

He said traditionally franchises have always fared better than original idea startups.

"It seems no matter where you put a Subway it does well. But newer concepts are harder to sell to lenders."

Molle said banks do tend to favor well-established franchises. "We know them if it's a business like a Dunkin' Donuts. We've worked with them before."

McDermott said that doesn't mean newer ideas aren't good investments. He noted that anyone who was an early franchisee of Kentucky Fried Chicken likely became very, very wealthy. He said Dave Thomas, who went on to found the Wendy's fast-food chain, was one of those early KFC franchisers.

Investing wisely

Sally Handlon, president of Handlon Business Solutions LLC in Bethlehem, said the key for those individuals in the situation where they are newly laid off and considering opening a franchise is to be patient.

"One of the biggest things for someone who's lost their job is to take some time and think it through and not do a knee jerk," said Handlon, a consultant who specializes in business development.

She said proper research can help a potential franchise owner find the right fit — and the best chance for success.

"When people lose their job, they're often caught off guard," said Handlon. "They may have dreamed about having a business, but they haven't really thought about the financial and time commitment."

Trexler said when he opened Java's Brewin', he found himself working harder than ever.

"In terms of time, oh God, yes, we work

12- to 16-hour days," he said.

Handlon said people who consider owning a franchise should first take stock of their own personal finances. Even if they can get a loan, she said people still have personal needs and will want to find a business that will produce enough to meet those needs.

Trexler said he and his wife accomplish that by doing as much of the work themselves as they can.

"We like to joke that we are the cheapest labor we have. We kid about it, but it is the reality. The more we work here, the lower the payroll," he said.

Trexler said that just two-and-a-half months into the new business, most of the money he earns goes right back into the eatery. But he said there are economies to running a food-based business that help him.

"I haven't gone food shopping in months," he said.

Where to look

McDermott advised that potential franchise investors look at business trends.

"Look at the growth potential of an industry," he said. He reiterated Handlon's advice to conduct extensive research.

He said one prospective growth area that he's found is in franchises involved in the senior care industry. He noted that there are currently 36 million Americans who are senior citizens. By 2030 he said his research has shown that population should nearly double to 71 million. He recommends looking into franchises that help seniors stay in their homes, or meet other needs by that growing segment of the population.



reservation at a normally busy restaurant by calling only two hours in advance.

"I never experienced being able to reserve a table at 5:30 for 7:30 before," he said.

Afshar said some people believe that consumer confidence is a psychological issue, but, he said, to him, consumers are only reacting rationally to the high prices they are seeing at the gas pump and in the gro-

will improve long term until the country seriously finds ways to be less dependent on foreign oil.

Afshar said he doesn't believe that the housing market has hit bottom yet either. Home prices have fallen, he said, but "the housing market still has to settle, and that's still not here."

where it won't get a lot worse before it gets better," he said.

Rossi expects more trouble at least into 2009. "We may be in trouble for at least another six to nine months," he said.

Also, he said, in 2010, the rate caps on electricity expire and Allentown-based PPL said it expects rates to increase 30 percent