Small Business
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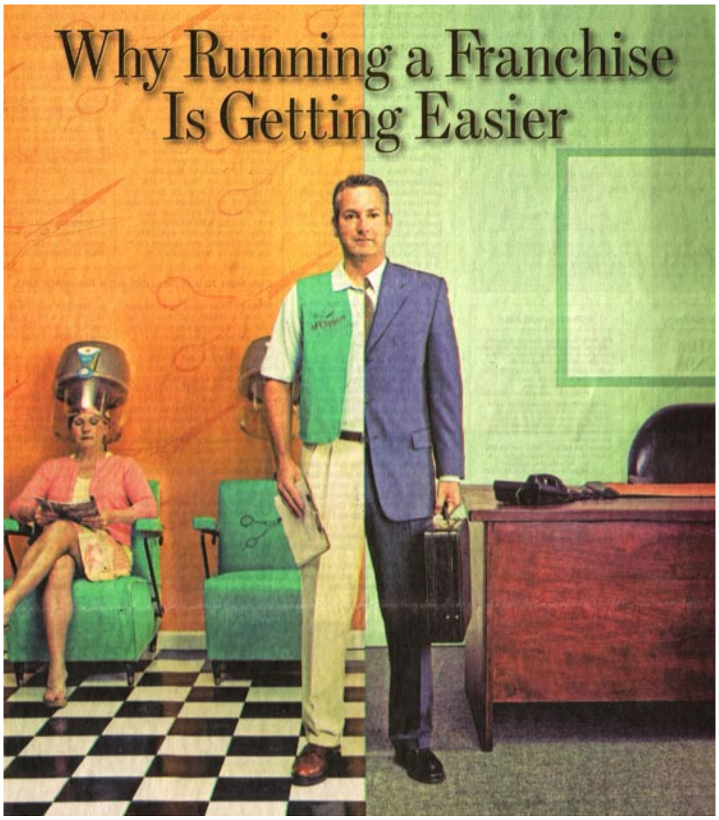
Why Running a Franchise Is Getting Easier.



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Bob McQuillan runs a tight ship at his Hollywood Tans franchise in Arlington, Va. He knows precisely when workers clock in and out, who each of his daily customers are and which employees are selling what products, at a regular price, or discount. But there is a twist: He's doing all this micromanaging from home-133 miles away in Mullica Hill, N.J.

"We monitor the business remotely via the internet," says Mr. McQuillan, who co-owns the store with his wife and another business partner. While a manager handles the tanning salon's day to day affairs, he pulls up data from afar by computer. A fingerprint scanner monitors workers' arrivals and departures, while intricate software tallies sales data and pricing, almost in real time. "I am down there once every three months," He says.

You don't have to quit your day job. You can even work from home (or the beach).

But don't be fooled: Making money is just as hard.

The franchising world is let loose. Gone are the days of one owner being chained behind the counter of a single store day in and day out. Today, there are absentee owners who oversee their operations from laptops and Treos, and owners who maintain dual careers or run multiple franchises.

At Hollywood Tanning Systems Inc, more than half of the 330 franchise owners have another job. The chief executive of Sport Clips Inc. hair salons estimate that 10 hours a week is a "generous allowance" for owners to physically be in stores. And franchisees for the Décor&You Inc. interior-design business can receive decorating and product training at home whenever they like via online video seminars.

Even costs are more flexible, with investments ranging from as low as $10,000 to more than $1 million, according to the International Franchise Association. That frees up owners to spread their talents around by opening multiple franchises, either of the same brands or even in different industries-departure from the days when the rule of thumb for franchising was "one person, one store," says Ann Dugan, author of "Franchising 101" and assistant dean at the University of Pittsburgh business school.

In large part, technology has helped fuel the shift, making it easier for franchisers to replicate and spread their systems, as well as for franchise owners to keep track of their businesses wherever they are. An unstable economy has also made the franchise model look more appealing with its entrenched systems and sales history; between 2003 and 2005, about 900 new franchise concepts were launched in

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such diverse fields as real estate, art education, construction, and health care. Today there are an estimated 760,000 U.S. franchised establishments generating more than $1.5 trillion on economic activity and producing one out of every seven jobs, according to the franchise association.

The result is that franchises must now complete more rigorously with one another for the best owners, in part by offering more-flexible business models. "The concept now is to be in the business but not in the store all the time," says Steve Greenbaum, incoming chairman of the franchise association and CEO of PostNet International Franchise Corp., based in Denver.

This new breed of franchise can be seen at the men's hair-cutting franchise Sport Clips, where guys watch sporting events while women trim their locks. Technological advances have translated into a more streamline inventory system where computer systems self-generate orders for product such as shampoo and conditioner when inventory runs low. And the ability of franchise owners to track sales over the internet has allowed them to run their stores while working another job.

"The vast majority of our owners are successful business people who are looking for an additional source of income," says Gordon Logan, founder and chief executive of Sport Clips, based in Georgetown, Texas. Today there are about 440 Sport Clips franchises across the country, and Mr. Logan estimates that as many as three quarters of the owners have other jobs. "We don't want people in the stores 40 hours a week," he says. "That's not the type of business we are."

Likewise Mark Tucci, 46, leads by example for his newly franchised company, Custom Blends Franchise Services, a seller of roll your own tobacco supplies based in Yourk, Pa. Mr. Tucci lives in Hilton Head, S.C., where he keeps track of sales at his own store in York, often via his Treo 700w smartphone, and allows his two franchisees to also oversee their business from home. He says franchisers that require owners to be physically present in their stores "don't put enough faith" in their owners' abilities. "It assumes the franchisee doesn't know how to remotely manage or hire effective managers who can manage in their place," Mr. Tucci says.

In part, the attitude shift is born out of necessity, as franchisers look to attract the best business talent in a digital age where working remotely is an accepted job perk, both among baby boomers who may be looking to slow down, and among younger workers who demand more work-life flexibility.

"Franchising demographic and cultural and geographic changes," says Ms. Dugan of the University of Pittsburgh. "It's a trend-based model."

For instance, 31 year old Christina Clark owns three Snap Fitness 24-hour gym centers in the Minneapolis area with her husband, Jason. She also works full time for JC Fitness Inc., a fitness-center flooring company her husband owns. The couple say they keep a hands-off approach to their franchises by hiring strong operations managers in the facilities they own, dropping in only once a month.

"As far as being an owner goes, you can be as absentee as you want," says Ms. Clark, who has two sons, ages 2 and 3. "If I had to go to the club to pull up all my reports, it would be frustrating for me." Instead, the Clarks keep tabs on business through daily emails, and can see what's happening in their facilities via camera's they monitor online from home.

About 70% of some 300 Snap Fitness franchisees have another job or semi-retirees or stay-at-home parents, says Peter Taunton, founder and CEO of Snap Fitness 24/7 Inc., in Chanhassen, Minn. "It allows you to get into a new business and without quitting your day job."

Owning multiple franchises, like the Clarks do, is another element of the new franchise paradigm. This approach began gathering steam in the mid-to-late 1990's among franchisers who wanted to retain talented franchise owners chafing to grow beyond a single unit. "Historically, franchisers did not encourage multiunit operators," says Darrell Johnson, president of franchisees, according to Frandata, an Arlington, Va., franchise-research firm.

Today Mr. Johnson says, about half of all franchise units are controlled by multi operators.

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And in a growing number of cases, franchise owners are diversifying into multiple franchise brands, allowing them to squeeze new revenue streams out of the same territory, and occasionally the same customers. Among franchisees who control more than one unit, nearly 16% now own units in different franchises systems, according to Frandata.

"A franchisee, as they continue to expand their brand they're working within a local community, at some point they reach a saturation level within that community. Mr. Johnson says, "Then they're faced with a decision either to learn about another community or look at other brand opportunities to introduce in a community they know well. That's how you see the multi-brand operators growing."

A case in point: In their recent merger, ice-cream maker Cold Stone Creamery and fast food purveyor Kahala Corp. formed a new company with some 13 brands and more than 3,000 franchisees who may own a variety of brands in multiple locations or a single spot, such as a food court, airport or college campus. Franchisees are "eager to explore the numerous opportunities for multibranding within our diverse portfolio," says Doug Ducey, CEO of the new Kahala-Cold Stone company.

Certainly such diversification and absenteeism has drawbacks. "The further away you are from being physically present, in a retail situation in particular, the more things can happen that are not good," Mr. Johnson says. He offers a small but telling example: sun reflecting off a misplaced display board may seem a tiny matter but would not be of importance to a hands-on owner.

Those tiny matters can add up. Says Ms. Dugan at the University of Pittsburgh: "Any business, whether it's a franchise or not, takes a lot of work." She cautions that without careful management, working part time "won't provide the return you're looking for."

And the movement carries some risks for franchisers themselves. Experts caution that all the technological advances might paint a false sense of security about the potential for quick expansion through franchising. "If you look at the start-up costs of today's franchisers, you'd find that with legal and development costs, it's not an easier way to expand," says Mr. Greenbaum, the incoming chairman of franchise association. People who believe it's a quick way to riches "don't understand the commitment it takes."

But among those taking the plunge, the urge to create more flexible models doesn't show even signs of slowing anytime soon- even when it comes to once-rigid provisions such as pricing.

It costs about $250,000 to open a bricks-and-mortar franchise with Business Partner Franchise Corp., an Irwin, Pa., purveyor of promotional gifts, signs and embroidered clothing. Recently however, the company added a home-based model, which goes for $24,500-or about the same price as a new Nissan Altima. Today, new owners are choosing the home based model 6 to 1 over a retail store, says Bruce Violette, chief executive of the company which has 24 locations. "People like the flexibility, we're finding out," Mr. Violette says.

Meantime , Décor&You, an interior-decorating franchiser based in Southbury, Conn, has invested tens of thousands of dollars to build a computer system that includes a virtual classroom for its 110 franchise owners, most of whom work from home. Spread across 30 states, the franchisees are in constant need of new data and about vendor offerings and education on everything from QuickBooks to accounting software to sofa construction and the latest window fashions.

Now, instead of trying to gather owners in centralized locations for expensive in-person instruction, much of the information is communicated online via hundreds of classes, as well as operations manuals, which owners can accessed at their leisure. Based on the efficiency of the online learning, the company plans to invest in a new generation of software that adds live video capability.

"I'm a night owl, so I can be on the computer doing stuff from 11 p.m. to 1 a.m.," says 26-year-old Kristina Wirick, who opened her Newport Richey, Fla. Decore&You franchise in 2003. (She runs it from her parents' home across the street from where she lives.) "If I didn't have any of the technology in place, I'd have no clue how to start a business like this, especially at such a young age."

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