



VetFran FAQ

What is VetFran?

VetFran was founded in 1991 as a strategic initiative of the International Franchise Association. VetFran includes over 600 IFA member companies offering financial incentives, education and support to veterans interested in franchise ownership and/or a career path in franchising.

Why was VetFran founded?

VetFran was founded in an effort led by Chairman Don Dwyer, Sr. (USAF, Ret.), founder of The Dwyer Group, to support veterans returning from the Gulf War transition to the civilian economy.

How many veterans have chosen franchising as a career path?

One out of seven franchise businesses are owned and operated by veterans of the U.S. military. According to a study conducted for the International Franchise Association Educational Foundation based on U.S. Census data. More than 66,000 veteran-owned franchise businesses in the provide jobs directly for 815,000 Americans, and generate more than \$41 billion in GDP.

Why are veterans successful in franchising?

- Veterans emerge from service with strong leadership skills and a thorough understanding of teams. Military experience includes leading and motivating people, improving processes, and accomplishing a defined mission. Like the military, successful franchisees and employees accomplish the mission with a team.
- An established franchise business operates on proven systems and defined procedures. Executing systems and following procedures with precision is emphasized in military training, and leads to success in franchising.
- Franchises provide training. The military has extensive training and taught very specific skills to be used to carry out very specific tasks. Franchises also have comprehensive training and support built into the franchising process. This means a veteran can enter a completely new field, and are more likely to succeed by following the franchisor's proven business model, and completing the training program.

- Franchises are team orientated, for which you are part of a larger system that is focused on a collective mission larger than him or herself. *You're in business "for" yourself, but not "by" yourself.*

What is the VetFran STAR Program?

The STAR Program is a three-tiered recognition system for franchisors participating in VetFran (1 Star, 3 Star and 5 Star). The STAR designations are designed to provide veterans with more information beyond the VetFran incentive discounts and encourage best practices by franchisors participating in VetFran. For more details visit: [Link for STAR Program FAQ TBD]

What should veterans consider when exploring franchise opportunities?

- **Educate yourself on franchising** and how being a franchisee is different than being a pure entrepreneur. A good place to start is to complete the VetFran Toolkit at www.vetfran.com.
- Seek out other veterans in the business you are interested in, and ask questions about their experience.
- Prioritize what is important to you, and then seek a franchise opportunity that matches your priorities. Your priorities may be having passion for the product/service, independence, aligning your values with the franchise system, financial rewards, etc.
- Write down your overall objective and have goals that will help you achieve success. Consider different models (home-based vs. office-based, capital requirements, service-based, etc.) to find franchises that will be a good fit.
- Do extensive research to understand the history, the terms of agreement outlined in the Franchise Disclosure Document, and what is expected of the franchisor and as a franchisee.

How can VetFran help with franchise ownership and find incentives/discounts for Veterans?

The VetFran Toolkit includes online courses and financial resources. You can also find a searchable database of all VetFran companies with incentives/discounts in the VetFran Directory at www.vetfran.com.

You can learn more about the franchise you are interested in by completing the contact form located on the company's profile in the VetFran Directory.

What are the steps he/she needs to take if the veteran knows which business he/she wants to get into?

You would need to contact the franchisor directly to better understand what their process is for franchise ownership. Each franchise system has a process to complete before an agreement between the franchisor and prospective franchisee is realized. If the veteran needs a loan then there would be a separate process for receiving a small business loan, and the timeline varies. In some cases the franchisor will have in-house financing available that can help streamline the process.

Typically, the steps for becoming a franchise business owner are as follows:

1. **Introductory phone call** – Normally there is an introductory call with the sale representative at the franchisor's headquarters. The purpose of the call is to get an understanding of what the prospective franchisee's goals are, and to answer any preliminary questions about the franchise system.
2. **Submit franchise application** –The prospective franchisee will submit an application to see if they qualify based on the franchisor's criteria.
3. **Meeting in person** – A representative will meet with you in your local market to discuss the franchise program and go over the Franchise Disclosure Document.
4. **Discovery Day** – This is a day to conduct formal meetings with the corporate headquarters, and have a more detailed review of the Franchise Disclosure Document and business opportunity.
5. **Create a Development Agreement** – This agreement is typically where your territory of operation is defined, timeline for execution and payment structure are discussed.
6. **Select the location of business** – In many cases the franchisor will assist you in finding a viable location for your business.

How many months out should he/she start planning for a franchise venture?

The amount of time it takes to plan for future franchise ownership depends on the franchise system and the veteran. Some franchise systems may take 6 months to be approved, while others may take 12 months or more. It also depends on the veteran's financial situation, and territories available for franchising.

If a veteran is considering opening a franchise, how should he/she evaluate the various companies before deciding on which one is right for him/her?

This all depends on the veteran's goals. Veterans can start with first defining what you are passionate about, and aligning your values with a business that has the same values. This could mean defining which business you see yourself running and would be happy in long-term.

The veteran can narrow this search down by industry, business type, and investment level. When evaluating any franchise opportunity it is important to interview other franchisees within the franchise system, and to fully understand the Franchise Disclosure Document

Some other things you may want to keep in mind when evaluating franchise businesses are:

- Required net worth and liquidity?
- Total startup capital needed?
- If the company a member of VetFran and what the company is offering veterans?

- Is the territory you wish to operate in available?
- How many years has the company been franchising?
- What are the terms and conditions outlined within the Franchise Disclosure Document?

What are the typical start-up franchise fees and costs, and where can a veteran go to get loans or financial backing?

Franchise fees normally range between \$40,000 - \$50,000, but it depends on the franchise business. There are over 600 VetFran member companies that offer discounts to veterans on the franchise fee. These discounts can be viewed at:

<http://www.franchise.org/vetfran-directory>

It is wise to research lending sources that understand the franchise business model, and that know the difference between a purely startup operation and established franchise brand. The success rate tends to be higher in a proven franchise business model. Funding sources depends on the type of funding one would require. Some banks are less likely to lend small business loans for small amounts.

Depending on the state there are nonprofit micro-lending institutions designed to provide small levels of startup capital to veterans who want to start a business. The Small Business Administration has veteran specific loans that help to streamline the loan process and waive many of the loan fees.

There are also Small Business Development Companies that waive loan fees for veterans. Veterans should always ask the franchisor about in-house financing and any benefits in veteran financing.

How many months on average will you be in business before starting to turn a profit?

This would depend on many factors such as: type of business, success of the operator, local market conditions, and the structure of the small business loan. Very broadly speaking, the breakeven point is typically 1-3 years. The prospective franchisee can get a better idea of profitability by looking at the expenses/fees in the Franchise Disclosure Document, talking to other franchisees, and creating a financial proforma before franchising.

What are some of the main challenges new franchise owners overlook?

The primary challenge to consider is to fully understand the Franchise Disclosure Document. This document helps the prospective franchisee better understand the expectations during his or her term as a franchisee.

It is wise to have a franchise attorney review all documents with the prospective franchisee before anything is signed. The prospective franchisee should understand they are going into a model that has operational procedures, and success depends on his or her ability to follow the system.

Franchisees are largely operators, not inventors. Like startup companies, the number

one challenge is under capitalization. This is also true for franchise businesses. Before pursuing any franchise business opportunity, you should have a clear understanding of the amount of capital required to open, operate, and excel in the business.

What is the International Franchise Association?

Celebrating 56 years of excellence, education and advocacy, the International Franchise Association (IFA) is the world's oldest and largest organization representing franchising worldwide. IFA works through its government relations and public policy, media relations and educational programs to protect, enhance and promote franchising and the more than 733,000 franchise establishments that support nearly 7.6 million direct jobs, \$674.3 billion of economic output for the U.S. economy and 2.5 percent of the Gross Domestic Product (GDP). IFA members include franchise companies in over 300 different business format categories, individual franchisees and companies that support the industry in marketing, law, technology and business development.

About the IFA Franchise Education and Research Association

The IFA Franchise Education and Research Foundation is a 501(c)3 non-profit organization supported by generous donations of IFA members and others. Donations are deductible. The Foundation serves as the research and education arm of the International Franchise Association.

www.vetfran.com