

# Master Franchising – The Ultimate Business

## What is Master Franchising?

Often called Regional Franchises, a Master Franchise is a special type of franchise agreement that gives you the exclusive right to sell or open a given number of franchises in a large geographical area. It is common for Master Franchises to encompass large areas or areas containing millions of people. In these regions, you control where all franchise locations will be and how many you will build. The investment in this type of franchise may be large, but the rewards can far exceed those of any other franchise opportunity. This low overhead business, requiring few to no employees, can be built into a business worth millions of dollars. This system is one of the best kept secrets in business ownership today. It allows the business owner to develop a large business within a relatively short period.

## Why is Master Franchising so great?

Imagine coming up with the idea of a new franchise concept that explodes in your area with dozens of new units opening up. Imagine having control of this concept and receiving royalties and franchise fees on a consistent basis. Imagine having access to the best business experts to help guide you in your new venture to build a system that has staying power. This opportunity is extremely rare, yet there are such businesses available if you know where to look.

With Master Franchising, you get all the benefits mentioned above but without the expense of having to develop the concept from scratch. You get control of a successful franchise system with a proven track record. Now you can control the growth of this business in your own specific geographic area. You inherit a brand name and even a partner in the form of the Corporate Office. You also get the support of other Master Franchisees to give you valuable support, the latest innovations and business expertise when you need it.

## What are the benefits of Master Franchising?

As a Master Franchisee, your methods of generating income are expanded over that of a normal franchise. With a normal franchise, you are generally only offering the product or service directly to the customer such as in a retail outlet. With a Master Franchise, you enjoy several very important advantages:

- Franchise fees royalties. When you sell a franchise to a buyer in your area, you receive a portion of that franchise fee as your royalty. You can keep up to half of the net franchisee fee!
- You have the option to open up additional franchises at a significantly reduced franchise fee.
- You earn ongoing royalties from the services performed or products sold in your area. Once you help set up the franchisee, you receive royalty income or annuity type income for the rest of the life of that franchise. Imagine receiving 2% to 4% of your franchisee's volume every month for many years.
- Real estate- If real estate is involved with the franchisee's location, often the Master Franchisee can become involved in development of sites and receive other types of real estate related income. This type of income is usually optional for the Master franchisee.

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## A Very Prestigious Business

The prestige of owning a Master Franchise and controlling an entire area can offer you great satisfaction. Your main job will be to act as a business consultant to your franchisees and help them succeed in their own business. You will be associated with the elite brand name of the franchise, as the main developer of an area, even though it will be your franchisees investing their money. You do not need industry experience because you will receive initial training and then ongoing training from the Corporate Office. Master Franchisees own and enjoy a quality-of-life business, with benefits including:

- Very few customers: Your customers are your franchisees. You help support a small number of franchisees who typically own several franchise units each.
- Very few employees: Typically you will operate a Master Franchise by yourself and then expand to have an administrative assistant, a trainer or other support person and a franchise sales person. As you grow bigger, you add more of these positions into your staff and perhaps a general manager to run the whole operation and back away almost completely, if desired. Many Master Franchisees, after having worked for several years, can retire and live off of an extremely good income and spend one or two days a month in the office.
- Very little office space: Many Master Franchisees can get started out of a home office. Once you have enough franchisees in place, then you can expand to an outside office.
- You can build equity in the business at a much faster rate than a normal business. Once you sell a few franchises or open your own stores, you increase the value of your business significantly. Not only do you have an existing business with cash flow, but you have additional franchise opportunities to sell, which gives the Master Franchise a higher value. Instead of the typical 1.8 to 2.8 times earnings of a normal business, you could average between 4 to 9 times earnings with a Master Franchise.
- You have the option of setting up your own franchises at reduced rates: As you open your own outlets you create another asset of value. You now have your Master Franchise with a specific value and also your own franchise with its value. As the value of your franchise increases, it increases the value of your Master Franchise. They are separate assets that you can sell when you wish.
- You own an exclusive territory: Only you and your designated franchisees will be allowed to develop franchises in your territory.
- More freedoms exist in a Master Franchise than a normal franchise: You help set the standards of the franchise in your area.
- You stay up-to-date on the latest technology: Being part of a larger franchise system allows the best ideas to flow into the corporate office and then into the field. You will have your own research and development department built right in.
- You do not need experience in the specific industry: You will receive industry specific training and support from the corporate office.
- And best of all, it is a franchise! Franchises, on average, have a 92% success rate, according to the Sourcebook of Franchise Opportunities. Master Franchises (often referred to as regional development franchises) typically have an even higher success rate than the normal franchise.

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## Why is Franchising So Powerful?

Franchising, as a whole, has a 92% success rate for business owners, according to the Sourcebook of Franchise Opportunities. For franchisees who own multiple units, the rate increases to 97%. Increased market share equals increased profits and franchising is the best way to gain market share. Right now, retail franchise businesses represent only 8.3% of the businesses on the street. However, the sales from those franchises represent 40.9% of the total retail sales in the United States. Franchising is arguably the best vehicle for capturing market share. One of the best ways to increase profit is to increase market share. The typical franchise, when compared to an unaffiliated business, is more profitable.

As a result of their extensive surveys, the International Franchise Association tells us that:

- 93% of franchisees say that a franchise gives them an advantage
- 88% recommend a franchise over a non-franchise business
- 83% are happy with their franchise
- The average yearly net income for a franchisee is \$91,630
- The average net income for a multi-unit franchise is \$142,000

## Skills of a Successful Master Franchisee

- Management or sales experience. Real life experience running a business or managing a business for someone else is very helpful, but not essential. There are successful Master Franchisees who are engineers, hair stylists, or homemakers.
- Good people skills. You will be dealing with your franchisees and will need to treat them like customers, which they are.
- The ability and desire to follow a proven system. The franchise system offered is a system for success when followed. Do not buy a franchise unless you believe you can follow their system. With Master Franchising, however, the system is a little more flexible at your level because you help set the standards for your particular area.
- Financially qualified. Franchise fees for a Master Franchise will typically range from \$150,000 to \$500,000 to purchase an exclusive area. In addition, you will need operating capital to support your operation until you can begin to make money. You will also need to allocate funds to advertise for franchisees. Typical operating capital will be from \$25,000 to \$200,000 depending on how large your set up is. Keep in mind, however, that you can begin with fairly low overhead, perhaps running the business out of your home until you are ready for larger office.