The Complete Financial Guide To Operating A Franchise:

Investing In, Managing, And Finding Success In Your New Business Opportunity

Bin There Dump That™

Residential Friendly Dumpsters

Contents

There are many great reasons for starting your own business – you can take control of your future and your finances; you can set your own schedule and take ownership of your successes; you can build something that you can pass on to your family; you can pursue your passion on your terms.

Whatever your reason for starting a new business, you won't be alone. In fact, a **2012 report from the Small Business Administration** estimated that more than 500,000 new businesses are "birthed" every year across the United States. While this is certainly an impressive number, it may not be large enough. Other studies, like one conducted by the **Ewing Marion Kauffman Foundation**, an organization committed to furthering entrepreneurship, calculated that 543,000 new U.S. companies start every month!

Unfortunately, not all new businesses become long-term success stories; and many don't enjoy any success at all. **Twenty-five percent of new businesses fail within a year; 36 percent fail within two, and a majority (55 percent) fail by year five.** After a decade, only 29 percent of new businesses remain in operation.

So, before investing your time, money, and energy into your new business, you should consider whether or not it will pay off in the long term. Are you ready to assume all of the risks, costs, and stress for the 29 percent chance that you will be making money ten years from now?

Or do you want to tip the odds in your favor, leverage the support of a company that is as invested in your success as you are, and take advantage of a proven methodology for making money while minimizing risk? If so, investing in a franchise may be the right move for you.

To find out why, and to learn how to prepare to become a successful franchise operator, read on.

Why Choose A Franchise Opportunity Over An Independent Business Venture?

Buying into a franchise allows you to start your own business without starting from scratch. Rather than taking the time to research your market and flesh out your business plans while pursuing investors and customers, you can take advantage of a proven business model and get your operations up and running quickly. The typical franchise can be open and running in a short time period, while an independent business venture can take years to get off the ground.

This ability to realize return on investment in a short period of time is alluring to many potential business owners, especially since this formative period is often the most challenging time for any company.

In addition to the initial speed, there are a number of other long-term advantages to owning a franchise. These advantages include:

A systemic approach to success: Any franchise worthy of your investment will have an established business model in place, one that has proven to generate sales with customers and profits for its franchise operators. Ask for a copy of the franchise's disclosure document, which contains details about the franchisor's background, business operations, financial situation, cost structure, and more. Potential franchisors are required by the Federal Trade Commission to provide this information.

Marketing expertise and resources: You are a business leader, not a marketing expert. However, you still need to market your product or service, which for a typical business requires hiring copywriters, graphic designers, ad buyers, creative directors, and a whole host of other professionals. When you are part of a franchise, you don't have to worry about these functions (or these costs); you just get to benefit from the finished products, such as logos, signage, advertisements, campaigns, etc.

Established brand recognition: Thanks to their marketing expertise and resources, established brands come with established customers. You won't have to introduce your product or service to the market for the first time; instead customers will know who you are and what you can offer. **There are several other benefits of being part of a strong brand** – it inspires loyalty and advocacy, it enables you to compete on value and not on price, it separates you from generic competitors in a crowded marketplace, and it helps spur growth. Being part of an established system with a recognizable brand should also make your business more valuable in the future when it's time to cash out.

A built-in training and support system: When you open an independent business, everything falls on your shoulders – marketing, sales, operations, etc. Even the best entrepreneurs and business leaders can crumble under the weight of all this responsibility. However, franchise operators have access to help when they need it. For example, at *Bin There Dump That*, we offer hands-on and classroom-style instruction for new franchise operators as well as ongoing training opportunities. We also provide immediate access to members of our support team, so your questions never go unanswered and helpful guidance is always just a phone call or email away. In addition to having the support of a franchisor, you can and should leverage the knowledge and advice of fellow franchise operators. After all, they know what you are going through, and they are invested in the overall success of the franchise. That's why we bring everyone together for our annual convention – a perfect setting for learning and networking.

Economies of scale. No matter what field or industry your business is in, you will need to buy supplies, equipment, technology, furniture, uniforms, and myriad other items, the costs of which can add up very quickly. Fortunately, franchise owners can take advantage of group purchasing power and negotiated rates to save substantially on these costs, both for initial purchases and for ongoing expenses.

It works. Starting any new business is a gamble, but choosing a franchise can substantially improve your likelihood of generating winning results. However, there is a caveat – you should do your due diligence and pursue the franchise opportunity that is right for you.

How Successful Are New Franchise Operators?

FranNet, a franchise brokerage firm, recently studied 1,500 individuals who it had helped purchase franchises between 2006 and 2010. **According to the research**:

- 91.2 percent of the businesses were still open after two years
- 85 percent were operating after five years

These positive results come in spite of the fact that the timeframe studied was the heart of the Great Recession. Yet, FranNet and other experts stress that potential franchise owners must make the right decisions for them and their specific situations.

"Here's how I look at it: The perfect franchise candidate is in the perfect time of their life, has funds and chooses the right franchise for his geographic area," said Joel Libava, a former FranNet broker, in an **Entrepreneur.com article**. *"A lot of things have to line up, and if they do, I feel in my heart a franchise operator has a better chance of success than an independent startup."*

The Finances Behind Running A Franchise

Now that you understand how you can benefit from investing in a franchise, you need to know how to go about actually making the investment.

Many people think that the first step is to pay the franchise fee. However, before you can do that, you need to secure enough money to pay the fee and operate your business over the first few months.

Thus, the real first step toward franchise ownership is determining how much you need to borrow and who you can borrow it from.

How To Estimate Startup Costs

Before you approach a lender, you need have an intimate understanding of the costs associated with becoming a franchise operator and managing your operations. Start by estimating your one-time costs and your ongoing expenses.

Initial costs: These costs will need to be paid before you open your doors for the first time. Shop around to get the best prices, or work with your franchisor to obtain negotiated rates.

- Franchise fee
- Office furniture, equipment, and supplies (obtain list of requirements or recommendations from franchisor)
- Fee for incorporation
- Down payment on real estate or lease
- Signage
- Marketing materials
- Permits
- Initial inventory

Ongoing expenses: Accurately projecting what your ongoing costs will be can help you create a sound budget and borrowing plan.

- Rent or mortgage
- Taxes
- Utilities, phone, and Internet
- Inventory and lease payments
- Insurance and Workers Compensation
- Advertising and marketing expenses
- Employee salaries (project how many workers you will need, in which positions you will need them, and **research current salaries** for your area to get an accurate estimate)
- Royalty and ad fund
- Line of credit / loan repayment

Help Is Available!

If you don't have firsthand experience running a particular franchise operation, it can be extremely difficult and frustrating coming up accurate figures. Fortunately, other franchise operators do have this experience, and they make a great resource that you can leverage.

How Much Should You Plan To Borrow?

Most experts recommend that new companies start out with enough money to cover six months of projected expenses.

Where Should The Money Come From?

When it comes to financing your franchise, your funds can come from one of three sources – yourself, equity or loans. Determining the right mix of funding sources is essential for your business' success and your peace of mind.

Personal funds: In today's tight lending market, many entrepreneurs and first-time business owners are using their own personal funds to finance their businesses. These funds can include savings, 401(k)s, stocks, securities, home equity loans, and other assets.

There is a high level of both risk and reward when investing your own money. The more funds you can put in, the less you will have to borrow (and the more likely others will be to lend you money). However, if your business fails, then both it and you can struggle.

In addition, making loans to your business can lead to scrutiny from the IRS. **Microsoft,** in a post on their Business Hub, recommends taking careful measures to avoid potential fines and penalties: *"You have to document what you're doing properly as being a loan from you to the corporation. You'll need to draw up a promissory note and specify a rate of interest on the loan and terms of repayment. You should also keep proper track of repayments of loan principal and interest."*

Equity financing: Equity financing involves giving up a stake in your business in exchange for money. This method allows you to gain funds without accruing any debt. However, you would have to be willing to sacrifice some control of your business. That's why, when seeking equity financing, most franchise operators turn to people they trust – relatives, friends, former colleagues, etc. – and who they would be comfortable working with.

Some venture capitalists focus exclusively on franchise operators, giving you an additional funding stream. However, **many venture capitalists left the franchise sector** during the recent recession, and the amount of money lent to franchise operators fell from roughly $105 million in 2000 to about $30 million in 2013. Thus, this source of financing may be harder to come by than in the past.

Loans: While personal funds and equity can add up, you may have to seek out additional funding in order to completely cover your startup costs. At that point, loans may be your only option, but there are still different options of loans to consider.

COMMERCIAL BANKS: Many commercial banks fund franchises, and your search for funding should probably start with them. Compile a list of banks in your area, research their terms and offerings, and rank the institutions from most favorable to least.

Much like you should do your homework on the banks, the banks will do their homework on you. Make sure you make the grade by preparing your personal financial statements, obtaining copies of your personal tax returns for the previous three years, and presenting verification of other funds.

The two biggest factors when it comes to obtaining a loan from a commercial bank are your credit rating and the franchise system's reputation. While you may not be able to strengthen your credit history, you can strengthen your chances of getting a loan by choosing the right franchise – one with an established brand name, a profitable business model, and a roster of successful franchise operators. A good franchisor should be happy to speak to your bank manager with you, to give the bank the assurance that the franchisor is committed to the success of this business.

At *Bin There Dump That*, we have a simple, repeatable business model that has **tremendous customer appeal**, and one that has a proven track record for more than a decade.

THE SMALL BUSINESS ADMINISTRATION: If you are unable to secure funding through commercial banks, or if their terms don't appeal to you, then the **Small Business Administration** (SBA) may be a better choice.

SBA loans are issued by a bank or other lending institution but are partially guaranteed (up to 85 percent on loans up to $150,000; up to 75 percent on loans exceeding this figure) against default by the United States government. As a result, SBA loans are viewed as low-risk, making it more likely you will receive the funding you need.

While the SBA focuses mostly on small, private businesses, about 10 percent of their funding goes to franchise operators. However, only SBA-approved franchises are eligible for immediate funding. *Bin There Dump That* is an SBA-approved franchise which, according to the administration itself, means that loan applicants can "*benefit from a streamlined review process that expedites their loan application. Because the particular franchise is pre-approved, the loan review is less complex and focuses on specific aspects of that branch's business plan.*"

There are several different types of SBA programs, but the most common is a 7(a) loan. The average 7(a) loan is about $337,000, with a maximum of $5 million. While interest rates are negotiated directly between applicants and lenders, they are prohibited from being more than 2.75 percent above the current prime rate, which protects you from unscrupulous lenders.

The SBA has also partnered with the Department of Veterans Affairs to offer the **SBA Express Loan Program**. Specifically for veterans, this program offers loans up to $350,000 along with an accelerated review process that delivers a decision within 36 hours. This is a great resource that can help veterans transition from military service to a successful business venture.

Paying The Franchise Fee

What Is It?

The franchise fee is the initial payment you make to a franchisor or company when you sign your franchise agreement. It is the entry cost to join the franchise system. The actual cost of this fee varies widely depending on the industry and brand.

What Is The Fee For?

At minimum, paying the fee entitles you to use the franchise name and proven business model. However, shouldn't it do more than that? Shouldn't it empower you to make money?

That's why it is so important to find out what is included in the franchise fee – training, marketing, operational support, purchasing power, etc. But perhaps the most important aspect to consider in the transaction is territory.

Territory Is Tantamount To Success

Think about the number of Starbucks, Subways or Tim Hortons there are in your neighborhood, let alone in your city or state. Each one of those stores is cannibalizing the profits of other nearby franchise operators.

When you pay a franchise fee, you want to receive territorial exclusivity – the commitment that you and only you will be able to sell to, and profit from, business done in a particular area. That's exactly what ***Bin There Dump That*** offers.

Bin There Dump That's Protected Territory Structure

Many franchisors prefer to squeeze as many franchise operators as possible into a given area in order to reap the returns of franchise fees. But not ***Bin There Dump That***.

We know that it is better for us, and for our franchise operators, to offer exclusive territories, which are explicitly defined by zip and postal codes, county lines, geographical boundaries, and navigable areas. All territories must have a minimum number of single family dwellings, which translates into a voluminous customer base.

We proactively and aggressively enforce exclusivity. If another franchise operator receives an inquiry in your territory, you will receive the referral and, ultimately, the business.

We also offer two territory programs to fit your budget and business goals – the ***Single Territory Entrepreneur*** and the ***City Builder 3 Pack***.

Single Territory Entrepreneur Program: Perfect for first-time franchise operators and those with less capital to invest, the Single Territory Entrepreneur Program gets you started with one truck, 12 bins, and one exclusive territory that encompasses an area with 100,000 single family dwellings. The startup costs are approximately $75,000 in liquid capital, with access to an additional $75,000 to properly grow the business..

Most Single Territory Entrepreneurs start out in a home-based office.

City Builder 3 Pack Program: High-net worth professionals seeking maximum return on investment will find this option extremely appealing. As the owner of a City Builder 3 Pack, you can quickly establish *Bin There Dump That* as the market leader in your area in a short amount of time.

You will start with an office, two trucks, and at least 24 to 36 bins. Initial startup costs are approximately $180,000-$260,000.

You will have exclusive access to around 350,000 single family dwellings, giving you an impressive customer base. Additional benefits of the program include:

- Simplicity
- Scalability
- Predictability
- High ROI potential
- Indestructible and tangible assets

Royalties And Other Fees

In addition to the franchise fee, all franchisors require royalty payments. These royalties, which are charged monthly or annually, are typically a percentage of income or profit, meaning that the better your business does, the more fees you will have to pay.

Royalties help provide ongoing support to franchise operators, including continual improvement of the franchise system business model, access to vendor discounts, product research and development, marketing and advertising programs, and other benefits

At *Bin There Dump That*, we think that penalizing franchise operators for being successful is absurd. That's why we charge straightforward, fixed costs based on the number of vehicles you have in your fleet. This allows you to budget in advance without having to worry about losing money down the road.

Profiting From Your Business

After you make your decision and your investment, you need to make sure it all pays off. To do that, you need to maximize your staff, market your services, and maintain your equipment.

Maximizing your staff: Having the right people on your team can lead to the right results. However, across all industries and throughout the country, businesses are plagued by bad hiring decisions. In fact, according to a study by the **Corporate Executive Board**, business leaders regret more than 20 percent of their hires.

Fortunately, hiring for a franchise is more straightforward and less risky than hiring for a traditional startup. You simply need to look at who – and what – has been successful in other franchise operations and emulate their job descriptions, job profiles, and hiring practices. You can also structure your team in a similar manner, avoiding the perils of overstaffing or understaffing your business.

As for salaries, you should try to uncover what similar companies in your area are paying their employees. You can also **research current salaries** to get an accurate estimate.

Marketing your services: Marketing can be an effective tool for enhancing profitability, but only when it is used effectively and prudently.

As a franchise operator, your franchise fee should include access to marketing collateral, PR support, Internet marketing, and other items, all of which can account for the bulk of traditional marketing efforts.

Good franchisors will also offer marketing plans and advice to help you get the most of your marketing dollars and ensure that you are targeting the right customers through the right channels, including print advertising, social media, television ads, etc.

Maintaining your equipment: Maintenance costs are often the most overlooked, and underestimated, expenses for new business owners. Things break, break down, and become obsolete over time, and the costs of fixing or replacing these items are unavoidable and, in many cases, unpredictable.

However, there are some industries and franchises that offer predictable and affordable maintenance fees. For example, ***Bin There Dump That's*** primary equipment – our bins – are virtually indestructible, which can eliminate most of your maintenance costs altogether.

Are You Ready To Become A Successful Franchise Operator?

Franchises offer many advantages to current and aspiring business owners. We want to help you take advantage of them.

We are *Bin There Dump That*, an established leader in the $40 billion trash management industry. Since 2004, we have helped franchise operators throughout Canada and the United States put their hard-earned money to work through a simple and easy-to-profit-from business plan.

Today, we continue to expand throughout North America, and we are looking for franchise operators to join us and our team. Some of the benefits we offer include:

- An experienced management and support team
- Step-by-step policy and procedures manuals
- Regular training seminars and programs
- Bulk buying power
- Exclusive and protected territories
- Marketing plans and support
- And more!

To learn more, visit **www.bintheredumpthatfranchise.com** today.