

FRANCHISING AS A NEXT STEP

Special Advertising Section

Business-Services Franchises Offer Second Careers to Former Execs

By Julie Bennett

Last December, Ken Mallette, 37, was downsized from his job as an accountant in a large regional accounting firm. In late February, he opened a firm of his own — a Padgett Business Services franchise in an office he set up in his home in Chattanooga, Tenn.

Steven Rafsky, CEO of Westwood, Mass.-based Padgett — where initial start-up costs, which include franchise fee, office equipment and start-up marketing, are \$42,000 — says his company has 400 franchisees who, like Mr. Mallette, have the skills to operate an accounting and tax preparation business.

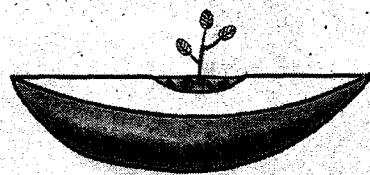
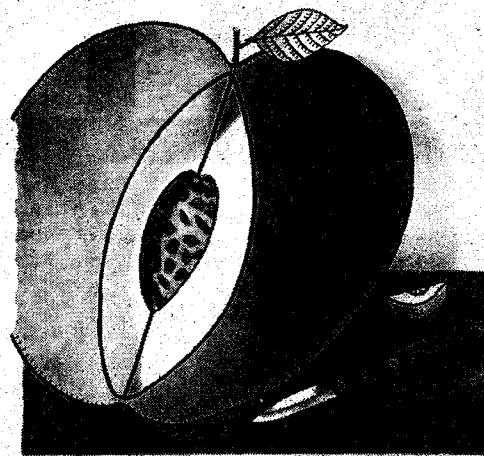
"I could have hung up my own shingle, but as a father with a young family, I have to get clients fast, and Padgett will help me do that," says Mr. Mallette. "I was also concerned that clients could have tax questions I might not have the answers to. Now I can pick up a phone and find tons of people who know all the answers."

"Sure, I don't have anyone to delegate to," says Mr. Mallette, who once had a staff of 15, "but I also don't have anyone coming in and telling me what to do. And I have the ability to spend time with my family, which is worth more than anything."

Transitioned corporate executives like Mr. Mallette are turning to business-services franchises in record numbers. "Our 90 consultants did seminars at outplacement firms for workers who do not want to go back into the corporate world," says Steve Rosen, CEO of FranNet, a franchise-brokerage firm based in Louisville, Ky. "They're attracted to franchises that provide professional services to other businesses because there's a prestige factor; they can't see themselves working behind a counter," he adds.

And because many of these franchises require investments of \$100,000 or less, downsized workers can pay for them out of savings or severance packages. "A lower cost doesn't mean a lower return. If you're the right fit for a franchised business, you can spend a little bit of money and make a great living," says Mr. Rosen.

The initial investment for a Proforma print and motivational products distribution franchise, for example, is \$19,500, says Greg Muzzillo, CEO and founder, in Independence, Ohio, "but some of our 650 franchisees are doing \$2 million in sales per year out of their homes."



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her Foxboro, Mass., home in June 2005.

"My gross sales [before royalty payment] were \$512,000 last year," Ms. Nigro says, "and I've moved into a rented office. Just try keeping a house clean in an industry where you work from 1,000 catalogues and 1,000 samples."

Abby Vega, 49, of Jacksonville, Fla., says she chose her franchise, FocalPoint Coaching, based in Las Vegas, because, after 27 years in sales and marketing for large corporations, she wanted her new career "to leverage all the corporate skills I've acquired, and be one where my age and gender would not hinder my opportunity for success. I really feel women have better listening skills and, as coaches, can create an environment where business owners are open and honest. Once clients are 'real' about their situations, they can make the first steps toward improving their situations and achieving their goals."

GETTY IMAGES/Franklin Hammond

\$49,500. All FocalPoint franchisees, Mr. Thompson says, use content developed by motivational speaker Brian Tracy, author of "21 Secrets to Success," to coach, teach and mentor executives, managers and business owners in how to succeed in this type of economy. Depending on their size, client companies pay franchisees between \$200 and \$6,000 a month for regular coaching sessions.

At The Alternative Board (TAB) in Westminster, Colo., advice to business owners comes from other business owners. CEO Jason Zickerman says his company's 200 franchisees set up peer advisory boards, which enable owners of small businesses to become each other's board of directors. The initial investment for franchisees is \$85,000 to \$90,000, and business owners pay a monthly fee for the meetings and one-to-one counseling sessions with the franchisees. "Enrollment in our boards is going up," Mr. Zickerman says, "because it's scary being in business today. Our peer board members don't have to make decisions by themselves." Membership in TAB rose 7.8% between 2007 and 2008, for franchisees that have been in the system for a year or more.

The fact that his members make decisions quickly is a big plus for TAB franchisee Dwight Handon, 50, who was downsized from a senior director position at Freddie Mac. Mr. Handon, of Fairfax Station, Va., launched his franchise last October and has six members in his peer group, with more arriving every week. "It's very gratifying to know I'm making a positive difference in their businesses and their lives," he says. "And it's great to be able to work from home and avoid the Washington traffic."

Scott Graflund, 42, is using a business-services franchise to make a difference in his own life. Mr. Graflund spent 22 years with Morgan Stanley, working in Chicago, London, Switzerland and New York, where he was a managing director until late in 2007, when he left to spend more time with his family and to have more direct control over his career. He moved back to Illinois and, in July 2008, opened a CMIT Solutions franchise in his home in Long Grove. "CMIT has found a way to bring corporate-quality computing to small businesses at prices they can afford," Mr. Graflund says.

Jeff Connally, CEO of Austin, Texas-based CMIT, says his company has 107 franchisees and should add 40 this year. The initial investment is \$150,000, including working capital. "Since October, the number of transitioned corporate executives interested in our franchise has doubled," he says.