



The Fastest Growing
New Franchises in
the U.S.

Franchise Finance & Development Conference

April 4-6, 2005

The Fast 55

- | | | |
|--|---|---|
| 1 Dippin' Dots | 19 Integra Realty Resources | 37 Tutoring Club |
| 2 Super Wash | 20 Comfort Keepers | 38 Vagabond Inns/Executive/Plaza Hotel |
| 3 Wireless Dimensions | 21 Anytime Fitness | 39 Mr. Handyman |
| 4 Certified Restoration DryCleaning (1-888-DryClean) | 22 Benjamin Franklin Plumbing | 40 Edible Arrangements Store |
| 5 RCI Holiday Network | 23 SaveItNow! Business Purchasing Solutions | 41 Handyman Matters |
| 6 Liberty Fitness | tie 23 It's A Grind Coffee House | 42 Owens Corning Remodeling Systems |
| 7 Line-X | 24 Handyman Network | 43 Navis Pack & Ship Centers/Commercial Warehouse Loc |
| 8 La Quinta Inn & Suites | 25 Action International | 44 Bark Busters |
| 9 National Supply Network (NSN) | 26 CompuChild USA/CompuChild | 45 Postal Connections |
| 10 Kabloom | 27 ComForcare Senior Services | 46 Netspace |
| 11 Foot Solutions | 28 Pizza Guys | 47 Living Assistance Services "Visiting Angels" |
| 12 GuestHouse | 29 Geeks on Call America | 48 ACE DuraFlo |
| 13 Volvo Construction Equipment Rents | 30 It's Just Lunch | 49 HCX |
| 14 Caffino | 31 Aussie Pet Mobile | 50 1-800-GOT-JUNK? |
| 15 Ident-A-Kid | 32 Hometown Threads | 51 Plato's Closet - Brand Name Teen Wear |
| 16 Kidz Art | 33 Carrier Aeroseal | 52 By Chip/Nestle Toll House |
| 17 EmbroidMe.com | 34 Moe's Southwest Grill | 53 AllQuest Real Estate Office |
| 18 AllOver Media | 35 Robeks Juice | 54 Chicken Kitchen |
| | 36 GarageTek | 55 Smart Start |

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Fast 55 Methodology

- Started franchising in 1999 or later
- Positive unit growth each year
- Minimum of 3 years worth of data
- Minimum of 20 franchise units EOY 2003

Industries Represented

- 20 of 30 different main industries
- Health & Fitness: Anytime Fitness, Liberty Fitness, Foot Solutions
- Maintenance Services: Handyman Matters, Handyman Network, Mr. Handyman
- General Services: 1-800-GOT-JUNK?, SaveItNow! Business Purchasing Solutions

Making the List (Again)

- 26 companies appeared on both the 2004 and 2005 lists
- 29 were new in 2005
- Dippin' Dots moved up from No. 2 position
- 6 of the top 10 companies in 2004 did not appear on the 2005 list

Scale & Distribution

- Over 6,000 locations
- Projected unit increase of 50% in 2004-2005
- The greatest concentrations of units in the mid-south (AR, LA, OK, TX)

How They Grew

- 74% of the growth came from franchised units
- 9% of their units are company-owned
- 18% have affiliate-owned units
- 38% allowed for and had units that converted previous businesses

Affiliated Brands

- 71% of the companies had affiliated brands or complementary businesses
- Service Brands had 2 concepts on the list: Certified Restoration Dry Cleaners (1-888-DryClean) and Mr. Handyman
- Aussie Pet Mobile and 1-800-GOT-JUNK had affiliated international brands

Development Models

- 75% Encourage Multi-Unit Franchisees
 - initial fee reductions for additional units (41%)
 - formal multi-unit agreements (7%)
 - area development agreements (25%)
 - master franchisee agreements (2%)

Initial Investment

- Median initial investment range (single-unit):
\$93,450 – \$185,150
- Low: \$8,850 CompuChild USA
- High: \$6,388,900 La Quinta Inn & Suites

Franchise Sales Tools

- 15 Systems (27%) use franchise brokers; 3 systems have area representatives
- 23% of the concepts provide some financing for franchisees.
- 45% on SBA Franchise Registry
- 36% of Systems disclose some form of earnings claims

CEO Experience

- 75% of CEOs had direct industry experience
- 39% had previous franchising experience
- 25% had both

Financial Performance: Revenues

- Median Revenue: \$1,934,098
- Minimum: \$52,235
- Maximum: \$27,925,530

Financial Performance: Net Income

- 34 Systems Profitable
- Of these:
 - Median Income: \$129,455
 - Minimum Income: \$31,435
 - Maximum Income: \$4,013,100

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The Challenges: What the CEOs Said

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Management Issues

- Servicing their franchisees
- Responding to the market

Development Considerations

- Single-Unit vs Multi-Unit Development
- Combination

Royalty Rates

- What is the RIGHT royalty?
- Justifying the rate
- Increasing services
- Communication

Infrastructure

- Growing the franchisor – what comes first?
- Needed skills change over time
- Outsource or internalize

Sustaining Growth – Can It Be Done?

- Too fast – trouble?
- Learning from mistakes
- Controlled growth
- Reacting to a hot market

Lessons to be Learned

- Many have been down this road
- You are more alike than you are different
- Keep asking yourselves:
 - Infrastructure match growth plan?
 - Enough capital to sustain growth?
 - Are you ready for the consequences of success?