



THE CHALLENGES OF
**STRATEGIC
GROWTH**

HOW FIT IS YOUR FRANCHISE?

Volume 3

GROWTH. IT'S WHAT YOU'VE BEEN TRAINING FOR.

Most entrepreneurs have a natural inclination towards growth — it's in their DNA to pursue a business and drive it to greater heights.

Stepping into the franchise arena places them in an environment that fosters their vision of greater things. Over the last few years, franchises have grown nearly **20%** faster than the US economy as a whole. From 2010-2015, the franchise sector saw a **2.6%** average annual job growth rate. The Franchise Business Economic Outlook for 2018 projected a **\$44 billion** increase in franchise output, up **5.6%** from 2017.

But there are pitfalls that often come with expansion, even for experienced entrepreneurs. Partnering with an outside consultant can help you:

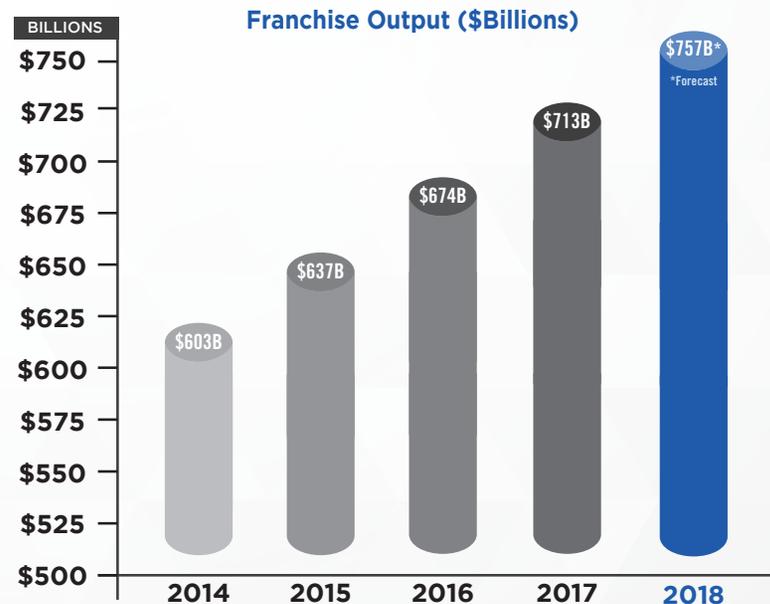
- Discover a shorter path to achieve the growth they want
- Better position them for acquisitions
- Open up new avenues for funding
- Maximize the value of their franchises

The franchise team at HORNE has a wealth of experience in helping franchisees plan and achieve their desired growth.

Over the years, working with **2,500+** franchises and **20+** brands has given us an understanding of the franchise world that few strategic consulting firms can match.

Whether your dream is to own five franchises or five hundred, we can help you do it in a manner that maximizes your success — and help you avoid the common pitfalls that arise along the way.

Franchise Growth Forecast



SOURCE: Franchise Business Economic Outlook: January 2018

A black and white photograph of a woman with long, light-colored hair, wearing a white tank top and dark leggings with a white stripe. She is lying on her back on a gym floor, holding a large ball (possibly a medicine ball) above her head with both hands. The background is a blurred gym setting with various pieces of equipment.

“ If your goal is to grow, the key is smart growth. HORNE has the tools, knowledge and relationships that enable you to grow in a smart way. ”

-- Dee Boykin, HORNE LLP
Partner, Franchise Team

GROWTH

ARE YOU READY? FIVE QUESTIONS TO ASK.

What exactly can a strategic consultant do for you? Evaluate yourself in these five areas -- and you'll see the potential benefit that HORNE can bring to the table.

- 1 Do you have a detailed strategic plan for growth?** Where are you going? Have you made adequate plans to put an infrastructure in place that will support growth? Do you intend to grow organically or through acquisition? What are the best ways to structure your business and secure funding? Whether your big picture plans call for gradual or aggressive growth, a solid strategic plan transforms your vision into an organized plan of action that you can measure, evaluate and perfect as time goes by.
- 2 How realistic are your plans for growth?** Can your current revenues and cash flow support your plans for growth, or do you run the risk of overextending your business? With the average franchise brand adding less than 100 new locations a year, are you certain your current brand can accommodate your plans? Many factors can impact the feasibility of your growth plans. The "reality check" offered by a third party with proven expertise in the franchise world can help you avoid common pitfalls, but develop a solid, attainable plan for growth.
- 3 Are you continually maximizing the value of your business as you grow?** As your business expands, it's

important to ensure that your existing franchises are operating as profitably as possible, and that you're not eating too deeply into your cash flow to fund growth. This will both protect you from becoming overleveraged and enhance your ability to raise third-party funding. There's also a tremendous side benefit: As you grow, you may find yourself becoming an attractive candidate for acquisition. Finding ways to maximize the value of your current locations as you grow can have a profound impact on the valuation on your business, should the option of selling appeal to you.

- 4 Could you benefit from "best practices" and benchmarks achieved by other franchisees within your brand?** In business as in life, the old adage is true: it's cheaper to learn from other people's mistakes than your own. An objective third party with intimate knowledge of your brand can help you set realistic benchmarks for your business, based on the performance and practices of similar franchises within your brand.
- 5 Do you have a defined exit strategy for yourself?** One of the most common mistakes that business owners and franchisees make is that they devote themselves so fully to growing the business, that they fail to adequately plan for the day when they're ready to walk away from it. Having a well thought-out exit strategy should be a cornerstone of your strategic plan. In fact, it's so critical that we've devoted the fourth and final E-book in this series to this subject.



“ Growth isn’t always a smooth, gradual, upward journey. It’s more like a staircase: You reach one plateau, and then you have to take a big step up -- adding people, processes and infrastructure -- to get to the next level. Our franchise team helps clients identify, anticipate and prepare for those steps, so growth becomes easier. ”

-- Jason Saulters, HORNE LLP
Partner-in-Charge, Franchise Team

{ If you are uncertain of your performance in any of these five areas, you could benefit from the expertise of a proven franchise financial “personal trainer.” }

EVALUATE

CASE STUDIES: FRANCHISE GROWTH TAKES MANY FORMS

CASE STUDY #1

STRENGTH IN NUMBERS

When five franchisee owners with a combined 60+ locations reviewed their options, they came to the same conclusion: they could open up a new realm of opportunities and efficiencies by pooling their resources.

While the idea was on target, it was easier said than done. Their accounting systems, records, reporting and business processes had little in common. HORNE was able to help them integrate the five businesses into one cohesive organization. The new entity, in which all original franchisees hold a stake, now has aggressive plans for double-digit growth.

CASE STUDY #2

GROWTH RECONSIDERED

Three established professionals in search of a suitable investment vehicle decided to explore the world of franchising. They obtained the rights to a franchise market that was projected to support 11 locations. As they opened their fifth location, their fortunes grew -- but so did the pressures, stress and headaches of running a franchise operation as a secondary career.

When a third party approached them with an unsolicited acquisition offer, they were ready to talk. With the help of HORNE, they were able to produce impeccable reports that showed an impressive track record of cash flow and profitability. The result was a lucrative offer that left the trio well positioned for their next adventure.



CASE STUDY #3

GROWING INTO UNCHARTED WATERS

When a large franchisee reached saturation in their existing markets, it was time to move into unfamiliar territory. HORNE was instrumental in helping the franchisee evaluate their options, including markets that were half the size of their established markets. We played an instrumental role in successfully acquiring locations in second-tier markets, and seamlessly integrating them into their accounting and business processes.

**CASE
STUDIES**

YOUR FINANCIAL PERSONAL TRAINER

A strong advisor should bring together industry, economic, business and franchise expertise to give you a complete sense of the opportunities and challenges you can expect on the road ahead. More importantly, they can equip you with strategies for facing them and capitalizing on them to their fullest.

By looking at your current position, goals and resources they should outline steps for growth. Once a plan is in place, they make sure performance metrics track to strategy, so you can monitor your progress.

Strategic Growth Consulting

- Examine franchise position to affirm or modify direction
- Determine strategic priorities and next actions
- Sound strategy based on validated internal and external information
- Execute on growth plans and provide performance measures
- Merger, acquisition and restructuring services
- Financial planning, timing and cost benefits of rebuilds and remodeling
- Assistance with financing options and sources
- Fraud mitigation and protection
- General operations

In addition to helping you chart a strategy for growth, your strategic advisor should offer the services you need to scale wisely. The right partner helps clients create and support organizational structures that run efficiently and grow smoothly.

Knowing what structure you need, what elements of your operations should be outsourced, and how best to maintain consistency across brands and stores demand a lot of attention. At HORNE, we free you from the burden of administering these important functions, so that you can focus on your business.

Franchise Organizational Structure Consulting

- Entity selection
- Strategies to protect personal assets
- Merger, acquisition and restructuring services
- Compensation programs and employee benefits including life insurance, health insurance, 401(K) and IRA
- Information and communication processes
- Regulatory compliance

Having worked at every level within the industry, our team knows what it takes to succeed. Our experienced franchise strategic planning counsel will provide you with the anticipatory insights and support you need to get from where you are to where you want to go.



“ HORNE goes beyond the traditional one-stop outsource shop, to provide a depth of franchise expertise and strategic planning that can help fuel your growth. ”

-- Michael Sassano, HORNE LLP
Partner, Franchise Team

**STRATEGIC
ADVISORS**

THE PATH TO FINANCIAL FITNESS BEGINS WITH A SINGLE STEP.

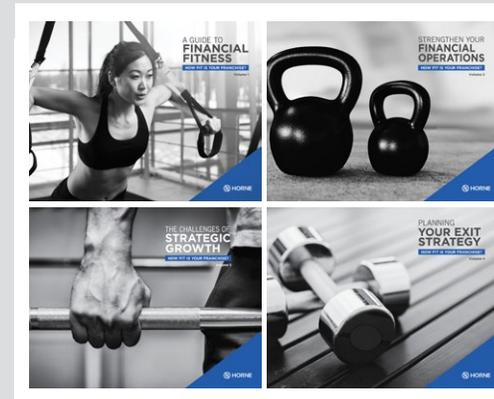
For franchisees, HORNE offers an exceptional level of expertise and insight. We've assisted franchisees and franchise groups with a variety of engagements, ranging from mergers and acquisitions, to strategic planning, to securing funding for new growth. We have detailed knowledge of the daily workings of franchises, and also the long-range perspective needed to plan for a successful future.

HORNE is a **Top 100 CPA firm**, and we're proud to support some of the highest performing franchise businesses in the country. With over **30 years** of franchise experience, we are your source for accounting, tax, finance and strategic planning needs. We're structured to handle the routine, recurring accounts payable and payroll services you'd expect from an outsourced service. At the same time, our senior CPAs and partners can provide guidance to your financial leaders on financial planning, strategic growth, financial reporting and tax opportunities.

HORNE is a decidedly different CPA and business advisory firm that is changing expectations about accounting. Clients turn to HORNE for foresight, straight talk and collaboration

from a team of dedicated accounting, tax and advisory professionals. We bring empirical knowledge and a total commitment to helping you build operational efficiencies, manage risk, ensure compliance, prevent surprises and pursue opportunities.

There are a lot of reasons to work with HORNE. Call us today, and find a few of your own.



This E-book is one of a series we've prepared for franchisees interested in finding smarter, more effective ways to operate.

To learn more visit hornellp.com/franchise

A close-up, black and white photograph of a person's feet wearing sneakers, positioned on the pedals of a stationary exercise bike. The bike's flywheel and pedal mechanism are visible. The background is blurred, showing other gym equipment.

H Over 500 trained accounting, tax and business advisors including a franchise team of more than 125 professionals dedicated to franchisees.

SUMMARY



HORNELLP.COM/Franchise