

TEA & COFFEE

Vol. 177/No.2 • February 20, 2005

TRADE JOURNAL The International Voice of the Tea
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**Why Retailers
SHOULD ROAST**

**Green Tea Market
OVER-SATURATION?**

**How to Convert
A DREAM INTO
A FRANCHISE**

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What it Takes to Convert Your Dream into a Franchise

BY SCOTT STEWART



Scott Stewart
working with a
barista at the
Lake City store.

In 1976 when I was 19 years old, my grandmother gave me a \$100 U.S. Savings Bond. I resisted the urge for immediate gratification, deciding to save the bond until I found something special, something life changing.

Twenty-five years later I found that something special to invest my treasured bond in: franchising.

I grew up in a family of business people and entrepreneurs who owned and operated a chain of beauty salons in the Midwest. The family had a unique quality about them as business people that went beyond the numbers, as they had good hearts and sincerely enjoyed helping people. That way of thinking was passed on to

me as I worked in the family business.

As I matured, I thought, what could be a better way to enrich people's lives, than to help them help themselves in business? (Later, when we finally decided to start franchising our concept, I ran across one of my earlier goal sheets that I had written about 20 years ago where I had mentioned the possibility of wanting to open a franchise.)

I started on my own business path of self-employment by becoming a Little Caesars Pizza franchisee in 1986. Being a part of a national franchise for almost 20 years has been an incredible opportunity to learn and grow and to watch first hand how a franchise works.

During this time, I have also started a handful of other businesses that are in operation today. All of these experiences have shown me the kind of drive, perseverance and attention to details that it takes to start and run a successful business.

In our travels the past several years, my wife Pam and I observed the huge growth of the drive-thru coffee shops in the Northwest. We quickly gravitated to

the idea of introducing the concept in our area in the Southeast.

This prompted passionate discussions in the family about the possibility of starting a drive-thru coffee shop. After nearly a year of planning and research, especially from Ellie, our daughter-in-law, Ellianos Coffee Company was born. We started our first drive-thru coffee shop in our hometown in the spring of 2002.

Commitment is Critical

As we learned the operation, and as its success grew, I decided the time was right to begin the process of franchising the business. We committed the time, energy and money to start to put the idea on paper. As an additional symbol of the type of commitment I wanted to make to the effort, I took that 25-year-old U.S. Savings Bond that my grandmother had given me and used it as part of my capital in starting the process of becoming a franchiser.

It was exciting to be taking that first step. I realized that my years of experience could be used to help people who may have always wanted to start a business of their own, but lacked the experience and knowledge of how to go about it or perhaps did not want to risk of doing it all on their own.

Converting Dreams to Reality

Many people have dreams and wrestle with the same question we had, "Should I franchise my business?" So, is franchising right for you and your business like it was for us? First ask yourself these questions:

- Do I have goals and a clear vision of the future?
- What are my motives for being a franchiser?
- Am I too independent to rely on others for a successful business model?
- Do I have the experience and financial stability to become a franchiser?

The answers to all of these questions are critical to being a successful franchiser. I remember 18 years ago when I was putting in a Little Caesar's store, someone asked me if I was going to "try" to put in more stores. That question stopped me in my tracks! I thought, "Try?" Why would I want to "try" to put in new stores? My goal was not to "try", but to do it. In business you don't try if you want to succeed, you do it. Failure is not an option.

Every successful effort needs realistic and attainable goals, both short term and long term, which can define your path with strategies and time-sensitive actions that will lead to realizing your dream. I have always been surprised how many people charge into a new venture without a legitimate business plan. Yes, it takes time and research to craft a highly defined plan, but the return on investment

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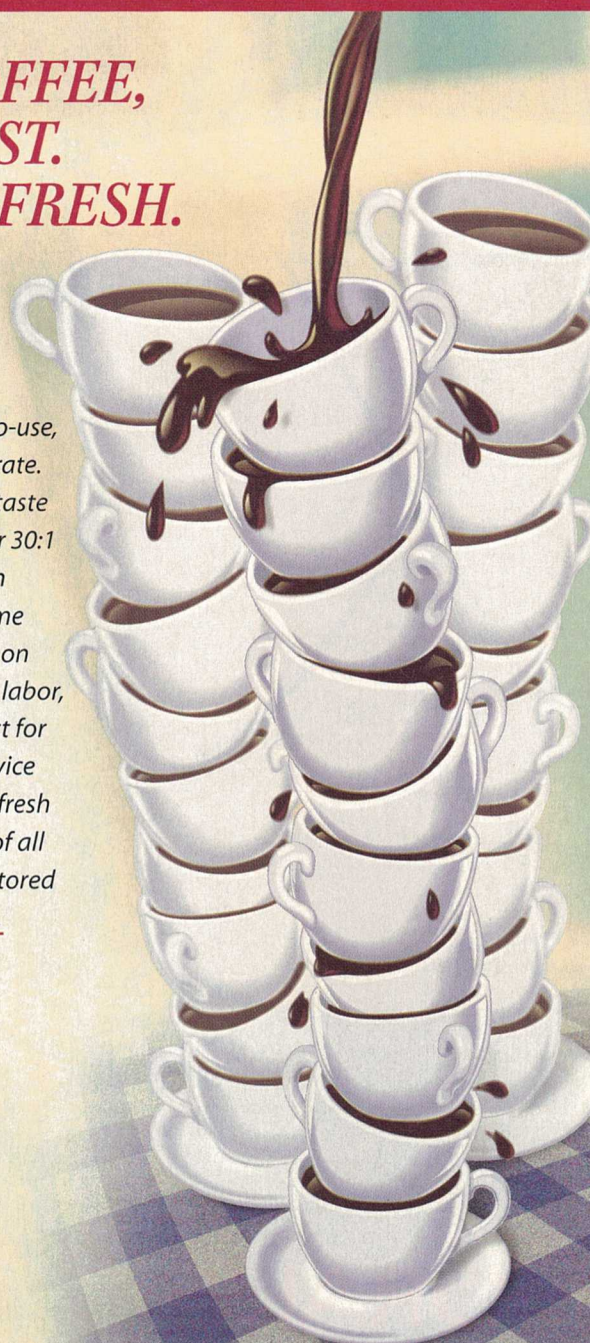


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Rob Stewart handing out a drink at Ellianos.

is immediate. Your plan needs to be lean, flexible and action-driven as you use it as your daily blueprint for business development. If a franchiser doesn't have a formal business plan for you to read in making your selection decisions, walk away quick and find one who does.

A Lifelong Journey

Becoming a franchiser is a long-term goal and commitment, not just a destination. It is a lifelong journey, and it takes more than just wanting to make a lot of money to be successful. It takes other reasons that are even more important than a quick return on investment.

There is a huge coffee market misunderstanding about the upside and downside of becoming a franchiser. Bad location? Let's start franchising, and sell off our low and questionable performing locations. Sound crazy? It is done all the time.

Lesson One: You will only succeed in franchising if you meet and strive to exceed franchising profit expectations. Anything less and becoming a franchiser is a 24/7 ride to misery.

Becoming a successful franchiser is choosing a career path of helping others succeed to the best of their ability. If the fast buck or a get-rich-quick scheme is the underlying motivation, then it may be better to do something else instead of becoming a franchiser. (I know, you heard about so-and-so who started franchising and sold 200 franchises in less than a year. . .)

I pity the franchiser and franchisee on that kind of schedule. Franchise attorneys know from years of experience that adding five to a maximum of 10 franchises a year is about all a fully functioning beginning franchiser can successfully absorb. I think three to five is about the right number of franchises to sell a year.

Franchising shouldn't be a beat the clock game. Every franchisee is a new, permanent member of your business family.

Certainly your own financial success is important, but your concern to have your franchisees succeed must be genuine, and this should be your primary thoughts in each situation. It must be an equal partnership, each side giving their best. If your commitment to helping others succeed is not genuine, then you will most likely not be able to succeed as a franchiser.

Caring and Ability Go Hand in Hand

In addition to your own personal motivation, there is even a bigger picture to consider. To become a part of other people's lives, to help them succeed, is a real responsibility. It is essential that you have a good sense of the financial and business expertise because it is needed to solve all different types of business situations. Be honest with yourself and look at your answers to the following questions:

- How many years of business experience have you had?
- Are you well rounded in all areas of planning, legal issues,

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Your attorney can advise you on all of these requirements and be sure you follow these guidelines.

Basically your "franchise system" is building the most efficient ways to being able to efficiently transfer to other people your knowledge of running your business, the key ingredients as to what makes it successful, down to the smallest of details. This transfer of knowledge can be in several different forms, but will require good physical documentation as well as personal contact. An internet web site may also be helpful.

One of the most important elements of your physical documentation is your operations manual, which basically is a tutorial

to walk your franchisee through all the steps of getting up and running with their own business planning and organization, the types of professional advice they will need, financial planning, a business plan they can use to help secure financing, site acquisition, finding and securing leases or real estate, construction, equipment lists, operations, employees, maintenance, vendors, recipes, etc.

Often times, one of the more difficult tasks in getting a franchisee off the ground is the site acquisition process, and there are a lot of different strategies and methods that you can choose from to decide what level you will be involved in this process.

Other types of physical documentation will be for employee management and training. You will need to also put a structure in place for actual training of your franchisees. Again there is a wide range of methods and levels of commitments for training, but this is an area that needs to be well planned out and implemented, as it is a crucial element for your success and the success of your franchisees.

When should you start franchising? Industry wisdom says have three solid years operating a profitable business at no less than three locations before attempting to sell your business model to franchisees.

Understanding How the Dollars Work

Your company income will be derived from the level of franchise fee you set that a new franchisee will pay up front to become part of your system, the royalties from sales, and any other charges (i.e. marketing and administrative) you put in place for necessary services you provide. You can set the level of these fees anywhere you want, but you will want to do some research into the specialty coffee franchise fees your competitors have established. Choose a level that competitively positions you in the marketplace.

You will need to build in a method of getting sales reports from the franchisees and the collection of the royalties, usually on a weekly basis. Of course, as you grow you will have to staff your organization appropriately to have the proper level of support for your franchisees.

Set strict financial requirements for prospective franchisees that must be completed early in the application and review process. Again, keep in mind that your franchisees will be a part of a new family that you will be working with for years to come. Good character and values in your franchisees is a critically important factor when considering who you want to be part of that family. It isn't about the money — it's about the business marriage fit.

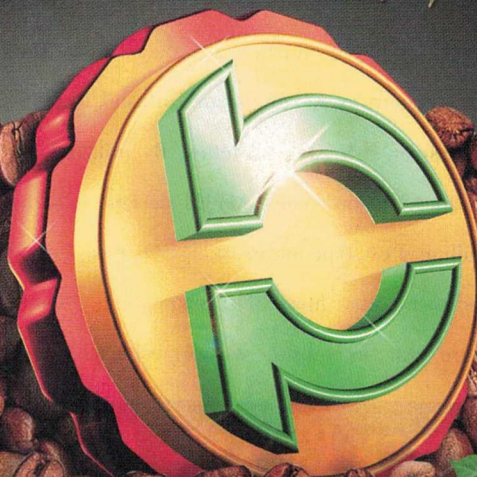
Rewards

If you have been honest with yourself about your commitment, motivations and skill level, franchising can be an exciting and rewarding experience. We have wonderful franchisees. By adding them slowly and carefully it is a joy to work with our growing business family, especially as we help them reach their personal and financial goals. ☕

Scott and Pam Stewart have raised six children and started many businesses in their 27 years together. Their latest venture is the Ellianos Coffee Company. The franchisers have seven franchisees and operate in two states, Georgia and Florida. For more information visit Ellianos.com.

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financing and operations?

- Have you had success in another business?
- Are you good with people and the "mentor" type?

It would be very hard to succeed as a franchiser without a real foundation in these areas. The franchisee's that are part of your company are looking to you for help. Your honest answers will help you decide if you have this foundation and if becoming a franchiser is right for you.

One option you have as you assess your areas of expertise and ability is that you can hire professional help where you may need it. If you feel you have strengths but need some professional help, by all means find it fast.

There are many personal as well as financial demands in creating a franchising system. You will need a good financial plan in place and the necessary resources for the long haul. Be sure to be realistic about your projections and goals so that you can properly plan your cash flow. If you have a good handle on business concepts and money management, franchising will amplify that. If not, it will also amplify adversity.

Hard Work, Hard Work and More Hard Work

Once you answer these first three questions, then the work begins. There are hundreds of details that must be taken care of if you are going to succeed as a franchiser. We gained a lot of direction in establishing our coffee business from our coffee roaster, Dillanos in Sumner, Washington. There are lots of venders, books and resources that can lay out these details. Find some of these resources and incorporate these steps into your action plan.

- In a nutshell: You must get legal advice and vender expertise to satisfy federal requirements
- Develop, protect and trademark your corporate identity
- Organize and build your "franchise system"
- Find and train new franchisees
- Operate your franchise system to support them from startup to on going operations.

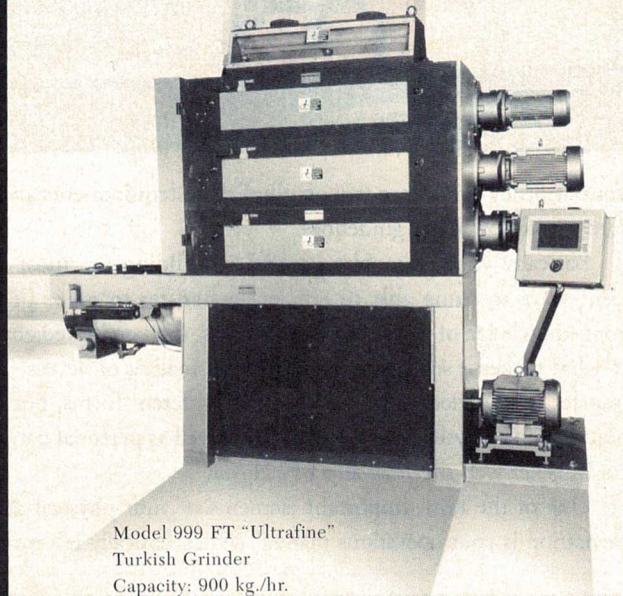
Obtaining the services of an experienced and peer recommended franchise attorney is critically important. They can help you through the do's and don'ts as well as build required legal documents and step you through obtaining your corporate identity trademarks.

One of the primary legal and most important documents of your system that your attorney will help you prepare is your franchise agreement. This is your binding contract between you and the franchisees. This will contain an exhaustive list of duties of both you, as the franchiser, and of the franchisee, and will also show many of the particular elements of what you have built into your franchise system. It will cover all existing structures in place, as well as give controls for future events to help reduce the negative consequences and risks associated with these types of relationships.

Another legal document, and even more involved, is your Uniform Franchise Offering Circular, which is more of a public declaration of your franchise agreement that has some governmental presentation requirements to prospective franchisees.



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