

Veterans and Franchising

By James M. Wilson, Esq.

When leaving active duty, veterans often first look to find a job in the defense industry or in aviation or another career that is strongly related to their active duty experience. This is appropriate because there are plenty of adjustments in moving from the military to the civilian world without adding completely unfamiliar work requirements to the mix.

Being unfamiliar with what is required to run a small business often causes veterans to only briefly consider the option of owning and running their own enterprise. Veterans can be concerned that their experience in managing assets and people in a service environment will not easily translate to the civilian business world and that their lack of financial resources will be too hard to overcome to start a business. While these concerns may be true to an extent, depending on the specific experience of an individual veteran; on the whole, veterans have a great set of experiences on which to draw to run a business by buying a franchise.

Generally, the first reaction a veteran has to the idea of buying a franchise is either that they don't know anything about fast food or they don't have the available cash or net worth to qualify to own a franchise restaurant.

First, the most wide-spread misconception about franchising is that it is only fast food. For years, franchising as a means of distribution has expanded into all kinds of industries. Franchises can be found in weight-loss and exercise, office products, automobile servicing, motels, signs and printing to name only a few. Many of these industries have a strong correlation to the kinds of things a veteran may have done on active duty. Consider that the basics of running a motel franchise are similar to making sure that things are in place for a company of Marines on maneuvers to have a place to sleep at night and food to eat in the morning.

More important than their familiarity with the services produced by a franchise they may own is a veteran's familiarity with the structure and manner of producing those services from his/her military experience. Franchises are operated according to an Operating Manual in which the franchisor provides all procedures that must be followed to run the franchise. These procedures stem from how to prepare the food that is sold to how to store the inventory overnight to reduce spoilage; from how many employees to have on hand to open up in the morning to how to run the books for the business. Veterans are familiar with having such a manual that details much of what they need to do to fly a plan, drive a tank, set up and operate a field hospital or kitchen.

Using and following those manuals as well as being comfortable with the idea of having this reference to use to solve problems is a skill set that veterans have from their military experience that civilians may be unfamiliar with and have to develop. But more importantly for the veteran considering buying a franchise, the operating manual is a

source of familiarity with the new business world that he is entering by buying a franchise that is not available if he starts a business on his own.

In my experience as a small business attorney, these procedures, the “back office” procedures, are generally the hardest part of starting a business for my clients. Most people who have done a job for a few years are proficient enough to continue to do that work, but they may lack the skills to run and manage a business that sells the services of that job to the public. Franchising can provide a veteran with a big hand up on managing a business, from accounting procedures to marketing methods, from employee management to inventory control.

Financing any business start-up is tough but financing for veterans for a franchise purchase can be a bit easier. The primary reason is that franchise financing can be easier for a bank to understand than an un-branded start-up business. Unlike an un-branded start-up, the franchise comes with a history that can be derived from the experience of the other franchises in the system. In a franchise, the franchisor sets standards and procedures for financial management and monitors that they are being followed by the franchisees. The collective track record of existing franchisees in a system gives a banker solid evidence of what your expected results will be. This history makes a banker’s decision to approve a potential franchisee for a loan much easier. Any doubts he may have about your success can be lessened by the collective history of the other franchisees in the system.

Veteran franchisees also have available to them the Veterans Transition Franchise Initiative, known as VetFran. This voluntary program, offered by nearly 200 companies that are members of the International Franchise Association (IFA), allows each company the freedom to set the financial incentive it will offer to honorably-discharged veterans. According to IFA Vice President Terry Hill, some companies reduce the initial franchise fee, others waive training fees, but the main idea is to help lower the up-front costs to veterans since they are typically cash-strapped upon leaving military service. VetFran, which is supported by the U.S. Department of Veterans affairs, and is recognized by the U.S. Small Business Association (SBA), receives no government funding. It is managed by IFA. Details about the program and the participating companies are available at www.franchise.org.

There are few things that can instill pride like running a successful business, and success in running a business depends on many factors. For the military veteran, owning and operating a franchise is a viable option that many do not consider even though they are generally well-qualified to do so and are well sought after by franchisors who want quality operators managing franchises in their system.

Jim Wilson is a retired Commander in the Naval Reserve and a small business attorney in Richmond, VA. He helps people start businesses, buy and sell businesses, analyze and purchase franchises and franchise their existing businesses. He assists clients with financing issues for their businesses from commercial loans to private securities transactions. Jim graduated from the US Naval Academy (1980) and the University of Richmond Law School (1992).