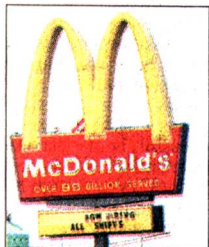


Credit crunch has entrepreneurs digging into savings

TO FRANCHISE OR NOT?

Pluses: The business model is tried and true and a game plan for opening and running the business is already mapped out.

Minuses: The credit crunch works against both new and expanding operations as lenders tighten criteria and terms.



NAME/Staff Photographer

FRANCHISING: NOT ALL FRIES AND BURGERS

Not every successful franchise is a McDonald's or Burger King.

Franchisees surveyed by Franchise BusinessREVIEW ranked these among the most popular operations:

- Pak Mail Centers of America
- Two Men and A Truck
- Jenny Craig
- Sears Carpet and Upholstery Care
- Great Wraps!
- Einstein Bros. Bagels
- Sotheby's Real Estate

Source: Franchise BusinessREVIEW

► FRANCHISE from IF

but the opposite is true: Recessions typically generate spurts of franchise activity.

"Historically, franchises have continued to grow straight through the recession," said Darrell Johnson, president and chief executive of franchise research firm FRANData Corp.

That's partly because the pool of qualified, prospective franchisees grows as people are laid off.

"Well-qualified people are getting laid off mid-career, and they decide they want to go into business themselves," said International Franchising Association spokeswoman Alisa Harrison.

Seizing control

Harrison said that, after the recession of 2000-01 and the events of Sept. 11, franchising grew by more than 18 percent from 2001 to 2005, outpacing many other businesses.

"People say, 'I put 10, 15, 20 years into a company, and because they ran into some tough times, they let me go,'" said Ray Titus, chief executive of West Palm Beach-based United Franchise Group. "They think, 'Do I want to put myself in a position where I may get laid off again?' Instead, they take control of their future by running their own business."

United Franchise Group consists of SIGNARAMA, EmbroidMe, Billboard Connection, FranchiseMart and Plan Ahead Events. Titus said that the number of people asking him for information on opening a franchise of one of those businesses is up 40 percent from last year.

In addition, in February, Titus said his company had more people buy one of his businesses than any other month in the last



GARY CORONADO/Staff Photographer

Luis Ricardo Galindo of Boca Raton decided to open his Molly Maid cleaning business when his former employer, Lenovo, opted to move to North Carolina.

two years.

"Think about it: it's a great time to open a business right now," Titus said, explaining that there's good available real estate on the market and a lot of potential employees to choose from.

But even Harris tempers his enthusiasm.

"There is risk, owning a business. Even in good times, people fail."

Further, this recession also comes with a credit crunch, meaning that prospective franchisees are finding it harder to secure lending needed to start their own business.

"This is the first downturn we've had that's been driven by capital access," Johnson said. "Banks are driving the downturn this time around, so we'll have to see what exactly that means for franchises."

willing lenders means that prospective franchisees may have to pull money from their savings, severance packages or 401(k)s to get their business off the ground.

'Just jump in'

Still, new and existing franchise owners express optimism that their business will do well in this economy.

"It's been a surprise to me; everyone thinks it's all gloom and doom, but some franchisees are expanding," said Steve Echols, owner of FranchiseMart in West Palm Beach, a business that helps connect prospective franchisees with a company.

Boca Raton entrepreneur Luis Ricardo Galindo had always wanted to open his own business at some point down the road. But it wasn't until the company he was working for, Lenovo, decided in April 2008 to close its Boca office and relocate its workers to Raleigh, N.C., that Galindo started researching his options.

"Things were looking pretty complicated for Lenovo, and we didn't want to find ourselves in Raleigh without a job," Galindo said. So he worked with a franchise broker to find a company that was right for him. He settled on opening a Molly Maids cleaning business.

Credit was tight, so the financing for opening the business came out of Galindo's 401(k).

"It's not what we wanted to do, but we had to use the options available to us," said Galindo, who opened his business this month. "You will never find the exact right or wrong time to try something new. You have to just jump in and do it."

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Since it can cost anywhere from \$25,000 to \$1 million to open a new franchise, the lack of