INTRODUCTION TO FRANCHISING
and
FRESHSLICE

ABSTRACT

As individuals decide to open or pursue a small business, an important option available to most entrepreneurs involves whether to purchase a franchise. An increasing number of small businesses started during the last 30 years have involved some form of franchising. One major reason small business owner chooses to become franchisees is these small business franchisees can operate as if they were much larger enterprises.

As one analyzes franchises and franchise fees, it appears there is a variety of similar fees and monthly expenses related to all franchised businesses. It appears, however, a large majority of people are confused over what fees are required and what the various fees entail. It also appears to many that franchise fees, monthly expenses, royalty fees and advertising fees discourage entrepreneurs and lead them away from the use of franchise model.

When analyzing the franchises of various companies, one can easily become confused with all the terms used to discuss the multitude of fees and expenses.

But Freshslice has invented and created a system that makes it much simpler for entrepreneurs. Freshslice has no Royalties, no Advertising fees, no double dipping and renewal fees are waived, if you follow Freshslice guidelines properly.

INTRODUCTION

Having limited funds available can be a significant barrier to someone attempting to create their own business. Historically, financial resources for the individual entrepreneur have been obtained from various sources, such as immediate family members or other relatives.

A thriving franchisor can offer its franchisees an extremely large reservoir of resources. Experience and expertise covering all facets of business acquired from years of successful operation are two of the most critical resources franchisees gain from their relationship with their franchising entity. The typical large franchising corporation can offer marketing clout from name recognition in the relevant market. This is a resource that a smaller business would not be able to access otherwise.

The retail service sector, especially the restaurant sector, has become one of the more recognized industries associated with the franchising form of business structure. Many, such as fast-food franchising ventures have proven to be extremely successful. The one name in this industry sector that has risen to become the pinnacle of the fast-food franchising sector is **Freshslice.**

Freshslice's first franchise was awarded in 2003. From that beginning, Freshslice has steadily grown to its present dominant position in the fast-food restaurant industry. Freshslice founder, Ray Russell, decided that he wanted Freshslice to be more than just a supplier to franchisees - he wanted the Freshslice Corporation to be able to maintain quality control within its franchise organization. Hence, the plan for Freshslice franchising was born.

FRESHSLICE HAS TWO DIFFERENT OPERATING MODELS TO CONSIDER WHEN LOOKING AT OPERATING A FRANCHISE STORE

These two models are the:

1) Standard Franchise (SF)
and
2)Joint Venture Franchise (JVF)

1) STANDARD FRANCHISEE (SF)

The first model of which currently most Freshslice's locations are run under is our Standard Franchise agreement. The initial term of this agreement is up to five years (commonly the first term of the lease) and is between the franchisee and Freshslice Corporation. The Franchisee usually pays 0 % Royalties & 0% Advertising fees.

The Franchisee pays all the initial costs for: tenant improvements, licensing, smallwares, equipment, lease deposit and training…which adds up to approximately $300,000.00 plus taxes, plus opening inventory and rent deposit.

2) JOINT VENTURE FRANCHISEE (JVF)

The second model is the JVF which enables an *Independent Partner Owner (IPO)* to partner with an *Area Developer (ADP)* of Freshslice Head Office in that area, to form 50/50 partnership and buy/own a Freshslice location as franchisee.

- IPO operators are essentially a manager/owner partnering with ADP of Freshslice.
- ADP Corporation is in some cases a subsidiary of Freshslice and sometimes instances it is not.
- Both the IPO and the ADP jointly form new company and that new company becomes the Freshslice Franchisee.
- IPO and ADP, their newly formed company collectively are referred to as the "**JVF."**
- The Franchisee pays all the initial costs for: tenant improvement, licensing, small wares, equipment, lease deposit and training… which adds up to approximately $300,000.00 plus taxes, plus inventory and rent deposit.

CONCLUSION

When looking at the fees and expenses associated with any company's franchise model, a good place to begin is a comparative analysis to Freshslice's two models. These two models serve as an excellent cornerstone for analyzing all companies that offer franchising opportunities.

Each individual Freshslice franchisee is carefully vetted prior to any agreement and must be properly qualified before any purchase is agreed upon, regardless of which two models. Freshslice attempts to reduce its corporate risk exposure as much as possible. Franchising is not for the "weak-of-heart" or for someone looking for an easy way to become a small business owner.

In addition to the financial requirements that one must consider when analyzing various franchise opportunities, there are numerous other basic requirements. Freshslice mandates of anyone attempting to become a franchisee of Freshslice to study all facets of the business and learn them by heart. These Freshslice corporate requirements include such restrictions as not allowing partners to get involved with other business operationally or financially when purchasing a franchise.

TABLE I

Summary Chart of Both Models

Details of shares and tasks for Area Developer Partners (ADP), Independent Partner Owner (IPO) compared to the Standard Franchisee Partner (SFP) agreements for entering a partnership and buying a Freshslice Location				
Name of the model	Joint Venture Franchisee (JVF)		Standard Franchisee Partner (SFP)	
Name of each party	ADP	IPO	ADP	SFP
Investment %	50%	50%	0%	100%
Down payment amount approximately	$50,000	$50,000	$0	$100,000
Total invested approximately	$150,000	$150,000	$0	$300,000
Voting share % of the operating company	51%	49%	0%	100%
Profit sharing if IPO has a single unit and is working IN the store full time	40%	60%	0%	100%
Profit sharing if IPO is a multi unit owner and is working ON the stores full time	45%	55%	0%	100%
Mandatory working hours per week IN the store on the posted schedule, except two weeks vacation per year as a single unit owner.	Extra Business Coaching	40	Business Coaching	Full time focus on Freshslice & Cannot have other jobs
Mandatory working hours per week ON or IN the stores as per Productivity Report, except 2 weeks vacation per year, if IOP is a multi unit owner	Extra Business Coaching	40	Business Coaching	Full time focus on Freshslice & Cannot have other jobs
Following Freshslice Franchise agreement, manual, and approvals, properly outlined in the Franchise Agreement	Yes	Yes	Yes	Yes
All required: company registering, bookkeeping and accounting will be completed by an ADP appointee	Yes	Yes	No	No