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Interview with Steve Lehman

Richard: Hi everybody, its Richard Roll at The Baby Boomers Retirement Network. Today we have a very exciting interview and very exciting guest who is Steve Lehman. He is the CEO and Co-Founder of EZMatchfranchising.com and EZMatch.com. Steve, how are you today?

Steve: Very good, Richard. Thanks for having me on.

Richard: Well, welcome to the show. We are going to talk about today some insider secrets for baby boomers about whether franchising is right for you, how to choose the right franchise and some unique ways to make sure that the franchise you choose will make money. And Steve with that I'd like to ask you, how is it that you became an expert on franchises and what is the background and experience that you bring to the table for our listeners?

Steve: Well, great question. Well, following about a 30 year career in publishing, media and advertising I left a startup in 2001 and realized that the world didn't need 50-year-old media executives any longer and said okay, it's time to reinvent myself. I did a lot of research looked at the franchise market since I realized that a lot more people, particularly baby boomers were probably going to go into their own business, since the corporate world did not hold the security that it once held, and really became a Franchise Consultant helping people identify the right franchises to coaching and consulting and about a year or so ago realized that a lot of people did not want to go through coaching and just really wanted the answer to one question which is, what's the right franchise for me? And we wanted to incorporate behavioral targeting into that since personality and fit



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is so important both in the corporate world and also in your own business and launched EZ Match this past fall in September.

Richard: So you've worked with, as a coach, hundreds of perspective franchisees, is that right?

Steve: I have.

Richard: And in that process you've really gotten to see what are the kinds of things you need to understand about the franchisee, as well as, the franchise itself and actually also the franchisor, is that a fair statement?

Steve: That is a fair statement and particularly important is helping people understand themselves before and during their investigation or exploration of a franchise.

Richard: Franchising probably more than a lot of businesses, although there's some misconceptions that we're going to get into in just a moment, franchising does revolve around a recurring repetitive type of series of activities and so until you understand what kinds of repetitive activities you are going to enjoy and find stimulating you could actually easily make a mistake and find yourself in exactly the wrong kind of business.

Steve: That's exactly right. That's exactly right, and many people do that unfortunately.

Richard: Well, that's what we're trying to help people void. You know, baby boomers are going to have to work longer, they realize that and the path for doing that is not very clear for most people, and that's why we wanted to get into the ins and outs of franchises. What is the appeal, Steve, of a franchise for a baby boomer anywhere from age 50 to age 65?



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Steve: Well, I think a couple of the main appeals, Richard are that, you know, one it sort of allows you to have one foot in, let's say corporate, and one foot into entrepreneurialism because it offers, you know, a system that's been proven and one that's obviously is systematized and that offers a lot more security than starting your own business when you have to reinvent it from, you know, reinvent it from scratch let's put it that way. So I think it offers a little bit more security than a startup, they're easier to fund than a startup and there're systems in place to help the new franchisee.

Richard: Well, even among the same exact franchise brand there are different operators who do substantially better than other operators isn't that right?

Steve: That's absolutely true. It's just like, you know, corporate America there's, you know, 25% that do gang busters, there's 50% that are middle of the road, and there's probably 25% that are lower performers and some fail.

Richard: So the opportunity to bring initiative into the mix is there, but don't people get concerned that they're going to be needing to be in a cookie cutter mode that they won't be able to use any innovation or intinuity?

Steve: That's one of the myths is, you know, along with the fact that franchises are all retail and burgers and fries, which anything can be further from the truth, another myth is that you can't be creative. Most people don't realize that all the innovation or virtually all the innovation and a franchise comes from the bottom up, it comes from the franchisees not from the franchisor. McDonald's doesn't create new products, you know, like the fish sandwich 30 or 40 years ago in a vacuum that came from a franchisee who said hey, I'm getting customers coming in here on Friday or Lent or whenever it may be asking for non-meat items and a fish item. So what happens is the franchisee suggested



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to the franchisor they will test it, get feedback and roll it out. So it's really anything but the case that you can't be innovated because most of the innovation comes from the franchisees not from the franchisor because the franchisees are in touch with the customer's everyday.

Richard: That's great. So other than the fact people think that you've got to be totally cookie cutter or that the real, you know, that most franchises are just burgers and fries, what other kinds of misconceptions do people have in general about franchises.

Steve: Well, probably the initial one besides the, you know, burgers and fries. You know, the thing to keep in mind is that there are more franchises that are home-based office-based and mobile than there are physically based or retailed franchises, that's important in a place like Fairfield County where I live because the rents are so high. Another misconception is the fact that hey, the franchisor makes all the money I don't make money because I got to pay him royalties. Well, yes you do pay him royalties but it's the same thing if you were starting your own business there's a lot of things from an infrastructure standpoint that you'd have to spend money on. So that's one of the other myths. The other myth is that the franchisor makes money on the franchise fee and, you know, usually most franchisors do not make money on the franchisee, where they make money is on royalties. And the interesting thing you have to keep in mind about royalties is unless you do well the franchisor doesn't do well because the more you make the more they make and they're taking, you know, anywhere from 3% to 8% more money.

Richard: But don't they take it right off the top so you can be breaking even and they're still getting cash flow.

Steve: They could. Yes, that could happen but at the end of the day it's a win-win situation because unless you do well the franchisor doesn't do well. The other thing



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that's very important is when you are looking into a franchise each franchisor is required to give you what's called a franchise disclosure document, that's a 32 part document that not only has their financials and the biographies and bios of their management, as well as, their operating system but also the name, address and phone number of every franchisee in that system, as well as, the ones that have left in the last year. And also they list any law suits that are against the company. So you can speak to five, 10, 15, 20, 30 franchisees and ask them the same questions about royalties or if they're happy would they do it all over again if they had to. You could even ask them for people in a particular field. So if you come out of the financial services industry you can say to the franchisor I want to speak to five people who had previously been in the financial world and see how they've adjusted and how they're doing in that particular franchise. You can talk to people who have been in the business for six months, you can talk to people in the business for a year or two years so you can see how long is it going to take me to get the break even, how are people doing. You can ask the franchisees about franchisor support, etc. So it's the equivalent of interviewing in a company and speaking to 20 people rather than the one hiring manager to really determine if this is the right business for you.

Richard: Well, that's very helpful insight. Obviously, doing your homework, doing your due diligence [inaudible 9:52] to the people who know and not just those that are hand-picked by the franchisor that'll make a whole lot of difference. There's also a kind of a secret sauce, if you will, that you brought to the table which is your EZ Match Questionnaire. Can you talk about that and how does that help people with the personal matching aspect of it?

Steve: Absolutely, I appreciate you bringing that up. You know again, as I mentioned earlier most people don't take into consideration their personality and what we've done is we're the first franchise portal to really provide a full behavioral profile and a survey that incorporates personality and behavioral questions so that if you are an introvert and you



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are looking at a franchise that requires you to be an extravert you're going to know that in advance and probably, you know, then the franchisor is going to know about that as well. What happens is you come to our site at EZMatchFranchising.com, the letters EZ, and fill out a 10 minute survey and get immediately matched to franchises that meet your goals, needs, financial wherewithal, and your personality and you get a free 35 page behavioral report. And really what that does is it matches you to the franchises that meet, you know, your requirements and you can go about investigating and then speaking to the franchisor for both of you to see if it's a fit. It's the equivalent of, you know, similar to the online dating sites like EHarmony, it's like EHarmony for franchises or businesses.

Richard: So when you got EZ Match, the letters EZ, EZMatchFranchising.com you take this 10 minute survey. In 10 minutes you get enough information to generate a 35 page report?

Steve: Absolutely, yes. Not only that but you'll be matched to up to 10 different franchises, you'll see that instantaneously at the end of that and then there's a link to a 35 page behavioral report.

Richard: What kind of franchises Steve do you think are the best fit for baby boomers, people who are let's say between 50 and 65, roughly speaking?

Steve: Well, I mean I think that really depends on the person, Richard. I get that question all the time, what's the best franchises and that's like me saying well, let me guess what you should have for dinner tonight. You know, if somebody comes out of corporate America, for example, they may want to look at something, you know, like a cost containment or business coaching franchisor or things like action coach or expense reduction analysts that do those kinds of things. Senior Care is pretty popular in terms of non-medically based homecare but it really depends upon, you know, do you want to



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manage people? Do you want to manage white collar people or blue collar people? Do you want to work nights and weekends? All of those things are facted into our survey and all of those tings are also taken into consideration and should be taken into consideration by the individual who is thinking about a franchise. Most people make the fatal mistake of taking a hobby or a passion and turning it into a business and that's not the way to do things because most of us have hobbies or passions to get away from business, so now you're taking what you did to relax and turned it into a business.

Richard: Yeah that's an extremely important point which is easy to overlook and it's a fine distinction. Some people can take something that they do find exciting but not destroy it as a hobby or destroy their hobbies in the process because that, as you say, is a big mistake. What do you think is the most appealing trend that's taking place in the types of franchises today for people in the demographic that we're talking to, the Baby Boomers Retirement Network members?

Steve: Well, I think it was a number of things. I think again anything in the service area, homecare, tax services, you know, services like cartridge refilling interestingly enough, are pretty popular and growing to a great extent. You know that food is still, you know, there're certain segments of the food area that are growing as well but most people also don't realize that there are things like area, regional, and master developer opportunities that allow you to have a much bigger franchise because what you do is you control a particular area like state or half a state and you work with the franchisor to recruit additional franchisees, you share in their franchise fee, you share in their royalties and you in essence act as a franchisor in terms of supporting them and helping them grow. That's a much bigger financial commitment but it's also a much bigger financial win down the road.



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Richard: Right, and so for some people who are thinking that “Gee, I don’t want to just run a store or a print shop or what have you and they’ve probably had to really adjust to changing technology, we’ll get there in a second because that’s an important question. You can actually own multiple franchises in a region and you can develop just like any corporation in corporate America. You can develop your management team, your accountability processes, your data and IT processes just like you would in a corporate America situation but your best thing from pre-existing brand names that are getting advertising and promotion and name recognition that you don’t have to start from scratch to create.

Steve: That’s exactly right.

Richard: So can you make good money coming out of either corporate America or a small business and becoming a franchise owner?

Steve: Yeah. It depends on the definition of good money, but absolutely. Most people, again, don’t look at franchising, you know, they’ll look at it from a, you know, hey I’m going to run a Subway but there are people that own multiple Subways in the same way there are people that have an area of development for two or three counties where they might eventually have 10 locations and they can very well replace \$200,000, \$300,000, \$400,000 dollars doing that. It may take a couple of years to do it but you certainly can do that while you’re building equity in the business as well.

Richard: Let me test this matching concept just right off the cuff, Steve. What kinds of characteristics do you need to have to want to own and run a Subway or a few Subways?

Steve: Well, not having all the components of what Subway is looking for but you, obviously - let’s say you wanted to run multiple Subways, obviously, you’re going to



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have to be a good manager of people because one of the reasons for having multiple Subways, particularly if they're close to each other, is that you're moving people, you know, from one store to another. If somebody's sick the manager called in late or what have you. So you've got to have some good management skills, you probably should have some pretty decent financial skills in terms of running the numbers and, you know, managing three, four, five Subways, as an example. You know and I think you also have to be somebody who is willing to, you know, be on call five to seven days a week because you may have a manager or two that calls in sick and something happens, what have you, and you're the one that's going to have to step in. So you have to be flexible from that standpoint.

Richard: So how does that differ from really any kind of franchise?

Steve: Well, there are absentee franchises, I mean as an example, some of the health and fitness franchises, health clubs, hair salons really require a little less hands on. You hire a manager or two and they run those businesses and you're a semi-absentee owner. So it really depends on the particular business. In both cases we've talked about just now they're both retailed based. There are things, you know, like cost containment franchises when you go into a company and in essence audit some of their departmental finances and you get a third of their savings over the first 18 months where that might be more attractive to, you know, white collar executives C Level because that's primarily the people you're going to be calling on.

Richard: So what about the customer base, does that factor in the type of customer you're going to call on? Are you calling on a corporate customer or are you calling on a purchasing manager or are you calling on smaller businesses or are you dealing with consumers? How does that factor into the fit?



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Steve: I think that that factors in a lot. I mean as an example there are, you know, automotive repair franchises, things like MAACO or Novas Auto Repair where you're primarily going to be managing blue collar workers and if you have not managed blue collar workers that might be a bit of a challenge initially if you've only managed, you know, white collars. So I think you really have to know yourself and that's the whole reason for understanding your personality and what you're good at as opposed to saying I love ice cream I should have a Cold Stone Creamery franchise, as an example because if you look at the model and describe it probably wouldn't be attractive to you. If you say hey, here's a business that's open seven days a week 12 hours a day, you have 15 or 20 employees, 70% turnover, they're all hourly wage and the average ticket is \$6 bucks, is that a business that sounds attractive? Most people would say no, but guess what; I've just described an ice cream franchise.

Richard: And a lot of people buy those.

Steve: Absolutely. People tend to look at businesses from the outside in. They look at the product as opposed to what am I going to be doing on a day-to-day in terms of activities, you know, whether it's selling, managing, etc and those are the things that really need to be considered when you're considering a business, and particularly a franchise.

Richard: Right. What are the processes? What are the repetitive routines and processes? Exactly.

Steve: Exactly, and am I going to enjoy doing that. I mean, again, you're not going to enjoy it a 100% of the time but what you do in the activities is really what you have to be passionate about and we all have heard, you know, what we talked about earlier is you take a hobby or a passion and turn it into a business you'll be successful, that usually



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doesn't work that way. You got to be passionate about the activities not necessarily the product.

Richard: Right. Steve, what can you tell us – now, we want to get into some of the inside dirt now – what can you tell us as an insider some of the little known secrets or even dirty tricks that franchisors pull and what are the little known ways in the franchise business that they take advantage of franchisees or that they sell you into the thing and they kind of bamboozle you, and in fact, it's twice as much work and half as much income and, you know, all of those kinds of things. How can our BBRN members avoid the pitfalls?

Steve: Well, there's a couple of pitfalls here that they can avoid. One, obviously has we've talked all along, is doing their homework and speaking to franchisees and asking them the exact same question. So if you speak to 10 franchisees ask them the same questions because you want to look for consistency. The other thing is, you know, look at the company's financials because you're going to get that in the franchise disclosure document. Are they making most of their money off of selling franchises? You know, off of the franchise sells or are they making most of their money off of the royalties? What you want to look for is ones that are looking to making most of their money off of royalties. You also want to find out if it happens to be a franchise, you know, let's say a retail franchise that where the franchisees buy product from the franchisor. Is the franchisor making, you know, huge markups on that? And you can speak to the franchisees and ask them those questions. Is there flexibility in terms of where you can buy from, etc? And the other thing I would say that's very important to people considering a franchise is usually the first thing they do is go to the web and look at Web sites. There's, you know, lots of franchise portals out there we happen to be the only one that incorporates behavioral targeting at the moment. But oftentimes you'll see listings for platinum, gold diamond franchises and many people mistake those as rankings and



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those aren't rankings normally it's just the fact that the franchisor has paid more money to advertise and get listed, you know, as a hot franchise or get listed as a platinum franchise, and a lot of people will be like a moth to a flame attracted to that, particularly just because it's listed as a platinum franchise or one of the Top 50 franchises etc. you really need to search your soul and do your homework and understand yourself and not get fooled by that kind of marketing.

Richard: So when you see sort of *Franchise of the Year* kind of thing is that something that's legitimate that you can rely on as being something of a standout as a franchise?

Steve: Well, I would say yes and no and I would not pay as much attention to that as, you know, a lot of people do because oftentimes fast growth kills as many franchises as no growth. We all, you know, let's use five years ago remember when Krispy Kreme had all their problems, if you were looking, Richard, at a Krispy Kreme at the time and speaking to franchisees you would have found out before Wall Street found out that there were problems with that company because you would have heard it from the franchisees because obviously they were dissatisfied with what was going on in terms of management spending, etc. So the whole idea of paying attention strictly to list of the Top 50 Franchise, or what have you, is not as relevant as really doing your homework understanding yourself, your personality, what you enjoy doing, what you don't enjoy doing, what that business is going to require of you, as oppose to saying "Oh, this is one of the 10 hottest franchise around this is something I should look at."

Richard: Steve, tell us about franchises and how they're doing in the recessionary climate of 2009, particularly for baby boomers, what trends are you seeing as far as what franchises are attractive to purchasers and are doing well?



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Steve: Well, what I'm hearing from franchisors is there are a lot more people looking. I think what's happened is, obviously, the job market and, you know, those people that have been right sided, capsized, and downsized unfortunately the job market has not come back. And most people don't make change until they have to. A lot of people have thought about their own business but usually fear that keeps them from doing it and what's happening now is there's a lot more people looking at their own business and franchises as an option. So one of the difficulties is the financing part of it because people have previously used, you know, home equity as well as you can use 401K or IRA money where you can invest in a franchise and that's a non-taxable event interestingly enough, and we can talk about that another time perhaps. But they are having problems getting people finance because, you know, clearly there's less financing available. You know many franchise always have third party lenders that they work with but financing is tighter. So we're seeing more people look at franchises as an option, you know, it's a little more difficult to get financed. I think the things that are popular are some of the things I mentioned whether it be business coaching, senior care, pet care is very, you know, is pretty popular right now, home services like home repair as a lot more people are staying in their home, they still need to get those things fixed up, so anything relating to services. And again, some of the food businesses, you know, things like Buffalo Wild Wings and things like that that are pretty popular right now.

Richard: But there's really a huge diversity in types o franchises and that hasn't changed, even though I think from a technology standpoint some have come and go in terms of being invoked there's still a tremendous array.

Steve: Absolutely, and in fact that's one of the myths is that, you know, it's all burgers and fries. There's franchises in 75 to 80 different industries, it's tough to mention a business that hasn't been franchised whether it's, you know, pet care, decorating, tax,



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printing, I mean there are even, believe it or not, franchises for picking up dog poop and those are pretty popular as a matter of fact.

Richard: That's very interesting. How would you say people should approach the next step to begin to get a handle on how to narrow down what franchise opportunities would be best for them.

Steve: Well, not to, you know, promote my own site but I think one of the things you can do is go to our site, which is EZMatchFranchising.com and take a survey see what you get matched to, you'll probably get matched to things outside your comfort zone, as well as be able to understand your personality a little bit better since you get a free 35 page behavioral report. I would also say that, you know, explore businesses out of your comfort zone, things you might not have looked at. And, again, look at the business model as oppose to the product involved. Most people, including myself when I first got involved in franchising and left the publishing and media world I looked at, you know, media and advertising type franchises because that was my comfort zone. But once I realized what I enjoyed doing and what I didn't enjoy doing then it really opened up a whole new avenue to look at and many other options that I wouldn't have considered. In my experience, many people end up going into a franchise that they would never have looked at on their own.

Richard: Not necessarily the franchise of picking up dog poop.

Steve: Well, exactly. But, you know, I've had executives that have gone into a residential cleaning business and initially they, you know, say "Well, wait a minute Steve, you know, you expect me to clean toilets" and that's not what the business is all about. What the business is about is running teams of people there's usually, you know, initially two, three, four teams sometimes it's a little more than that and at the end of two



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years you probably got anywhere from 250 or 200 to 400 customers paying you a \$100 week, you know, think about the residual income and the recurring income on that. And most people would never have looked at, you know, the non-sexy businesses like residential or commercial cleaning and things like that. You know, franchises like *1-800-Got-Junk* are practically sold out in the United States, you can't even find a territory if you wanted one and most people won't look at the sort of non-sexy businesses that many times the non-sexy businesses are some of the best ones to look at.

Richard: And there are other ones like Massage Envy that is doing extremely well in the current climate where they are getting massage therapist to work for less to get more consistent business without advertising and marketing expense and they are tapping into a broad market of people that are able to pay less than usual going rates for massage and have turned that into a system. The system is key in all of this, isn't it Steve?

Steve: Absolutely. The system is key and using, you know, Massage Envy as an example, you know, consumers have cut back but they haven't cut back on sort of the simple pleasures that helped them relax and get less stressed and that's one of the drivers of that business they are doing very well.

Richard: Outstanding. A tremendously interesting and diverse field of opportunities for people to look into and I think we've gotten some great pointers on how to avoid the typical pitfalls and mistakes. Steve Lehman, Chief Executive Officer of EZMatchFranchising.com. Steve thanks very much for being with us today and let me just suggest to people that they can get that 35 page report on their own behavior as it relates to franchises by going to EZMatchFranchising.com. Steve thanks so much for being with us.

Steve: Thanks, for having me on Richard, I appreciate it.