

Master Franchise /Area Representative Advantage

Q: What is an Area Representative or Master Franchisee?

A: A little known Secret in Franchising about making Money

Imagine sharing in the royalty income generated by all of the Subway Sandwiches' or Domino's Pizza's operating within your city. A Master Franchisee shares in the income generated from the units operating within his/her territory.

A Master Franchisee is someone in the unique position of owning the rights to sell business franchises in a given area. This territory can be a major metropolitan area, an entire city or in some cases the whole State. The Master Franchisee rarely works in the day-to-day operations of the unit; rather your job is primarily a business consultant to the franchisees.



How does this work?

A Master Franchisee buys the rights to market & sell franchises within a specific territory for a Franchised Company. Not every franchisor offers Master Franchising opportunities however; those that do are utilizing this strategy to encourage more rapid growth. **This could mean huge profit opportunities for you.**

Prestigious

In addition to selling franchises, the Master assumes the exciting role of business consultant to the franchisees to help them succeed. This is usually in the form of providing training, sales support and business development strategies. Most Master Franchisees find this to be the most satisfying part of the job.

Financial Freedoms

Unlike other business systems, Master Franchisees truly have the ability of turning their dreams of financial freedom into reality...

Here is a typical example:

You purchase a territory from an automotive franchisor or a computer franchisor for a certain amount of money (your investment). A typical territory can cost between \$50,000 and \$500,000.

Your agreement with the Franchisor may state that you will receive **50% of the franchise fee and 50% of the royalty income**, for each unit sold or opened within your territory.

Let's assume that the franchise fee is \$25,000 per unit and the royalty is 6%. That means that for each unit opened in your territory, you will receive \$12,500 (50% of the \$25,000 franchise fee).

Let's go one step further; assume that each unit opened will have a gross yearly sales volume of \$1,000,000. Each unit is then required pay a royalty of 6% of their gross sales, equally \$60,000 per year. You as the Master Franchisee would then receive 50% of this amount or \$30,000 per unit, per year!

One Unit Opened:

Initial Franchise Fee \$25,000
Annual Gross Sales \$1,000,000

Your Income:

\$12,500 initial fees you collect
\$30,000 annual income to you
\$42,500



Ten Units Opened:

Initial Franchise Fee \$25,000 X 10
Annual Gross Sales \$10,000,000

\$125,000 in initial fees you collect
\$300,000 annual income to you
\$425,000

Twenty Units Opened:

Initial Franchise Fee \$25,000 X 20
Annual Gross Sales \$20,000,000

\$250,000 in initial fees you collect
\$600,000 annual income to you
\$850,000

If 100 units open in your territory, your royalty income would be \$3,000,000 per year. In addition to that, you would have made an income of \$1,250,000 for opening 100 units because you received 50% of the franchise fee which is \$12,500 (100 x \$12,500 = \$1,250,000)

The profit potential of owning a successful Master Franchise territory is huge.

Sounds Incredible but is it Real?

Some of the most recognizable names of Franchising have used this method to grow their business. Using this system Franchisors are able to have Area Representatives located throughout the Country all working together on opening units. Without this Area Representative/Master Franchising concept most companies would find it impossible to have national development team on staff.

To be able to grow more rapidly and expand their concept some Franchisors figured out that sharing a portion of the Franchise Fees & Royalties would entice high-quality Area Representatives to their brand. The big question is: in 1983 would you have invested in becoming an Area Representative within a new and unproven franchise system called; Mailbox etc. or Quiznos Subs before they became national brands?

Below is a list of a few Franchise systems that have used Master Franchising to help develop their brand.

Dominos Pizza
Mrs. Fields Cookies
Curves
Jani-King Cleaning
Century 21 Realty

Subway Sandwiches
Mail Boxes Etc.
Realty Executives
Molly Maid
and many many more....

AAMCO Transmissions
PostNet
Fantastic Sams Hair Cuts
Quiznos Subs

More than likely you recognize some of these brand names today. But would you have invested in a system called "Curves" in 1995? This was started by a Husband & Wife team with no franchising experience. Today Curves is one of the fastest growing franchise system on the planet, opening 900 units a year and \$1 BILLION in annual revenue. Getting in on the ground floor is the key to becoming an Area Representative or Master Franchisee. After a system has started to mature and/or becomes a recognizable brand, the opportunities become either VERY expensive or completely non-existent.

Want to learn more?

Because relatively few franchisors offer Master franchise opportunities, the ones that become available usually sell quickly. Go to www.MasterFranchising.com see if there is a Master franchise in your future.

Additional Benefits of Becoming a Master Franchisee / Area Representative

As you have seen, the potential profits of purchasing the rights to be a Master Franchisee are enormous. Your business can grow quickly, along with your income and net worth. But there are other benefits as well.

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The Satisfaction of Entrepreneurship

As a Franchisee you own your own business! A franchise is a proven entity that eliminates many of the risks associated with a fledgling business and positions you to grow. But as a Master Franchisee, you have influence over not only your business, but of the Franchisees you sell in your area. This is an incredibly empowering, satisfying position to be in.

Help Others Succeed

You will serve as a business consultant/coach to the Franchisees and use what you have learned to help them to succeed. Your main function will be to nurture the Franchisees and provide them with the guidance they need to succeed. You will receive extensive training and be in the enviable position of educating others. Many of your Franchisees could own several units themselves and rely on your expertise and guidance.

Low Overhead

Once you purchase your territory, you can work from your own unit or from your home office! There is no need to rent expensive office space or expensive equipment.

More positive benefits:

- **Very Few Customers.** Your customers are your Franchisees. You will help support a small number of Franchisees who run the daily operations of their own businesses.
- **Very Few Employees.** Typically, you will operate a Master franchise by yourself and then expand to add more staff. It is not unusual for Masters, after having worked for 3 to 7 years, to semi-retire and live off an extremely good income while spending only 1-2 days a month in the office.
- **Very Little Office Space.** Many Masters start with a home office before expanding to an outside office.
- **Build Equity Faster.** Once you sell a few franchises or open your own stores, you increase the value of your business significantly. Not only do you have an existing business with cash flow, you have additional franchise opportunities to sell.
- **More Freedom.** Unlike a normal franchise, a Master franchise allows you much more flexibility.
- **No Experience Needed.** You will receive industry specific training and ongoing support.
- **Best of All... It's A Franchise!** Franchises as a whole enjoy a 92% success rate and Master franchises experience even greater success.

Because of the high income potential, the initial investment is really quite low compared to the value that is likely to be built.

Could You Be A Master Franchisee / Area Representative?

If you feel that you meet the qualifications listed below visit www.MasterFranchising.com to take the next step.

The franchisor will usually grant a territory to someone or some group with the following qualifications:

- **Management and/or sales experience.** Real life experience running a business or managing a business for someone else is very helpful but not essential.

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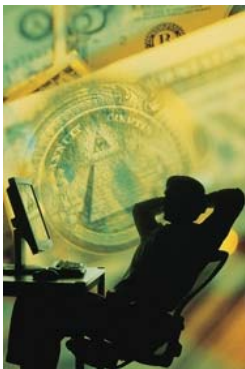


- Good people skills. You will be dealing directly with the Franchisees and will need to treat them like customers.
- The ability and desire to follow a proven system. The franchise system offered is a system for success when followed. It is not wise to buy a franchise unless you believe you can follow their system.
- Financially qualified. The fee to purchase the rights to a Master franchise territory can typically range from \$50,000 to \$500,000. On occasion you may need the capital required to open and operate at least one unit (showcase location) and support your operation until you can begin to make money.

Wealth Creation

According to many experts, a Master Franchise offers greater earning power than a normal franchise. While a normal franchise makes money operating units, a Master Franchisee generates income several ways. These include:

- **Operating Units.** As a Master Franchisee, you can open your own units if desired. These units can be more profitable due to the reduced franchise fees and royalties.
- **Franchise Fees.** When you sell a franchise, you receive a portion of the franchise fee. Most franchise fees run between \$20,000 to \$30,000 and in a typical Master franchise program, you keep up to half of this fee.
- **Royalties.** You receive royalty income or annuity type income for the life of the franchises that operate in your territory.
- **Turnkey Unit Development.** There may be opportunities to sell single or multiple franchise units and make a nice profit on the sale.
- **Real Estate.** There may be additional income available from real estate interests.



The income available from a Master Franchise can be extremely lucrative.

More profitable and more successful

The typical franchise is more profitable and successful than an unaffiliated business. Franchising as a whole has a 92% success rate for business owners. For Franchisees who own multiple units, the rate goes up to 97%.

Increased market share equals increased profits and franchising is the best way to gain market share. For example, although retail franchise businesses represent only 8.3% of the businesses on the street, the sales from those franchises represent 40.9% of the total retail sales in the United States.

As a result of their extensive surveys, the International Franchise Association tells us that:

- 93% of the Franchisees say that a franchise gives them an advantage
- 88% recommend a franchise over a non-franchised business
- 83% are happy with their franchise
- 65% would purchase the same franchise over again



¹References & notes

Even McDonald's has used Master Franchising. McDonald's preferred the single unit arrangement for the U.S. market because of company control, but they do and have used master franchising in some international markets like Japan and Asia. as referenced in the article "Do master franchisors drive global franchising?" and "Franchising in the EC: 1992 and Beyond".

Internationally, prior to 1992, master franchising was not allowed under the Treaty of Rome which prohibited the exclusive assignment of markets. However, the treaty was annulled in 1992 (EC came into play) making master franchising and joint venturing attractive options in Europe for many U.S. companies looking to franchise. McDonalds and KFC were referenced as using master franchising and joint venturing there. Attached is a list of the articles used to gather the reference information.

Journal Articles:

- Boost their juice.** Bogomolny, Laura. *Canadian Business* v. 79 no3 (January 30-February 12 2006) p. 56, 58-9
- Healthy Prospects.** Rowe, Megan. *Restaurant Hospitality* v. 89 no10 (October 2005) p. 54-5, 58, 60, 62
- Examining Control and Autonomy in the Franchisor-Franchisee Relationship.** Pizanti, Inbar. *International Small Business Journal* v. 21 no2 (May 2003) p. 131-59
- Supporting master, area & multi-unit franchises.** Gonzalez, Ellice B. *Franchising World* v27n2, (Mar/Apr 1995): p.59-61
- The road to international franchising.** Greenbaum, Steven J. *Franchising World* v. 33 no7 (Oct. 2001) p. 29-30
- Coverall's first franchisee now owns company.** Furman, Sue. *Franchising World* v. 31 no6 (Nov./Dec. 1999) p. 28-9
- Do master franchisors drive global franchising?.** Ryans, John K., Jr. *Marketing Management* v. 8 no2 (Summer 1999) p. 32-7
- AlphaGraphics global ambassador.** Cohen, Rena Wish. *Franchising World* v. 29 (July/Aug. 1997) p. 24
- A small world after all.** Laurie, Crystal. *Franchising World* v. 29 (Mar./Apr. 1997) p. 42+
- He sells "restroom insurance".** Wright, Elizabeth. Source: *Franchising World* v. 27 (July/Aug. 1995) p. 27
- Supporting master, area & multi-unit franchisees.** Gonzales, Ellice B. *Franchising World* v. 27 (Mar./Apr. 1995) p. 59-61
- Franchising in the EC: 1992 and Beyond** Chan, Peng S., Justis, Robert T.. *Journal of Small Business Management*. Milwaukee: Jan 1992.Vol.30, Iss. 1; pg. 83,

Franchisor	Subway Sandwiches
Industry	Food
Product/Service	Submarine sandwiches & salads
When it started	Year began: 1965 Franchising since: 1974
Who started it	Fred DeLuca and Dr. Peter Buck
How many units it opened with	One restaurant opened in Bridgeport, Connecticut, USA on August 28, 1965 called Pete's Super Submarines. First franchised unit opened in 1974 in Wallingford, Connecticut.
Current number units/franchisees	World's largest submarine sandwich chain with 26,896 restaurants in 86 Countries - opened its 20,000 th location in the US in 2006.
Annual sales volume	12/31/2005, Total sales in U.S. dollars Worldwide \$9.05 billion <ul style="list-style-type: none"> • United States \$7.17 billion (excludes Guam & Puerto Rico) • Canada \$816 million • International \$1.06 billion (includes Guam & Puerto Rico)
Projected growth	SUBWAY® restaurants' goal is to be ranked the number one restaurant by consumers and number one in restaurant count in every market served.
Website address	http://www.subway.com/subwayroot/development/05dev/devAgent/
Franchise Rank	2007 Franchise 500® #1; Fastest-Growing #1

Franchisor	Quiznos Sub
Industry	Food
Product/Service	Submarine sandwiches, soups, salads
When it started	Year began: 1981 Franchising since: 1983
Who started it	Rick Schaden, started out as a franchise owner, and has been the backbone for making Quiznos Sub successful.
How many units it opened with	In 1986, Rick purchased one franchise in Boulder, CO, two more and in 1991 purchased Quiznos Franchising Co.
Current number units/franchisees	More than 4,000 stores worldwide
Annual projected sales volume	Not readily available
Projected growth	Quiznos Sub is the fastest growing chain in number of U.S. units (Nation's Restaurant News, June 2005)
Website address	http://www.quiznosfranchises.com/about_quiznos_sub.asp
Franchise Rank	2006 Franchise 500® #2; Fastest-Growing #3

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Franchisor	Domino's Pizza LLC
Industry	Food
Product/Service	Pizza, breadsticks, buffalo wings
When it started	Year began: 1960 Franchising since: 1967
Who started it	Tom and James Monaghan
How many units it opened with	One store in Ypsilanti, Michigan
Current number units/franchisees	8,238 franchised and company-owned stores
Annual sales volume	Global retail sales of nearly \$5.0 billion in 2005, \$3.3 billion U.S. and \$1.7 billion international
Projected growth	Overall company is strong and continues to grow with consistent earnings growth and strong cash flows. Global retail sales were up in the quarter compared to a very strong quarter a year ago.
Website address	http://www.dominos.com/
Franchise Rank	2007 Franchise 500® #6; Fastest-Growing #33

Franchisor	Curves
Industry	Health and Beauty
Product/Service	Women's fitness & weight-loss center
When it started	1992 Franchising since: 1995
Who started it	Gary Heavin and his wife Diane
How many units it opened with	First franchise in 1995
Current number units	10,000 worldwide; 7,800-plus in the U.S.
Annual projected sales volume	System wide revenue exceeds \$1 billion
Projected growth	October 2006 Franchise Times ranked Curves 9th largest franchise company in world, 6th largest in U.S. (number of units)
Website address	http://www.curves.com/franchise_info/
Franchise Rank	2007 Franchise 500® #15; Fastest-Growing #23

Franchisor	Jani-King
Industry	Cleaning and Maintenance
Product/Service	Commercial cleaning
When it started	Year began: 1969 Franchising since: 1974
Who started it	CEO and Founder Jim Cavanaugh
How many units it opened with	Cavanaugh began marketing janitorial services by day and cleaning buildings by night.
Current number units/franchisees	9,933 authorized Franchise Owners
Annual projected sales volume	Franchisee fees based on amount of business offered by local Regional Support Office.
Projected growth	Jani-King finds the business and offers the Franchisee an initial customer base to service
Website address	http://www.janiking.com/franchisee/concept.asp
Franchise Rank	2007 Franchise 500® #13; Fastest-Growing #10

Franchisor	PostNet Postal & Business Services
Industry	Business Services
Product/Service	Retail postal and business services
When it started	Year began: 1985 Franchising since: 1993
Who started it	Steven Greenbaum in 1985.
How many units it opened with	Founded as PostNet mail and parcel center
Current number units/franchisees	More than 900 locations worldwide.
Annual projected sales volume	Competes directly and effectively with The UPS Store®, FedEx Kinkos® and others.
Projected growth	Opening a new Store every week
Website address	http://www.postnet.com/
Franchise Rank	2007 Franchise 500® #101 2005 Fastest-Growing #48

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Franchisor	AAMCO Transmissions Inc.
Industry	Automotive
Product/Service	Transmission service center
When it started	Year began: 1963 Franchising since: 1963
Who started it	Robert Morgan
How many units it opened with	Single transmission center in Philadelphia, PA
Current number units	749 US plus 22 Canadian
Annual projected sales volume	System-wide sales of more than \$600 million
Projected growth	Not readily available
Website address	http://www.aamcotransmissions.com/index.html
Franchise Rank	2007 Franchise 500® #59;Fastest-Growing #94

Franchisor	Molly Maid
When Started Franchising Since	1979 / 1979
Who started:	David McKinnon (in U.S.)
How many units of franchise	U.S.: 333 Canada: 167 International: 100
Annual projected sales volume	Sales (mil) \$7.1
Projected Growth	Projected New Units Over Next 12 months: 40

Franchisor	Mailboxes, Etc./UPS Store
When started/Franchising	1980 / 1980
Who started:	Anthony "Tony" DeSio
How many units of franchise now has	U.S.: 4,428 Canada: 286 International: 1,046
Annual projected sales volume	System-wide sales of over 1.5B+(2000)

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