

CASE STUDY

Sue's Southern Kitchen

Sue Zimmerman wants to start her own franchised business. She loves southern-style cooking, especially southern fried chicken, and is interested in opening a restaurant in her local Colorado community. She has more than \$125,000 to invest and feels that now would be a good time to start a franchised business.

The main reason Sue wishes to establish a franchised outlet is that she lacks management and marketing experience as she has never been a manager or been in charge of any marketing or promotional activities. She knows it will take a great deal of time to develop these skills, but she believes that the correct franchisor will provide her with the necessary training and marketing tools to enable her to be a successful business owner.

Sue is particularly interested in the Popeye's Famous Fried Chicken and Biscuits franchise system. She has recently written to and received materials from Popeye's, and has learned that the system offers seven weeks of extensive training, in addition to having accounting, operations, marketing, advertising, and real estate expertise available to franchisees. The training is provided for two persons per store, and includes station training, the operation of every job in the restaurant from cashier to sanitation, management expertise, sales motivation, employee counseling techniques, personnel training, and goal setting. A "pro" crew is sent by the franchisor to get the new store off to a flying start. This team of experts will train restaurant employees and make certain that grand opening growing "pains" are turned into "gains." Evaluations are regularly made of each store with a detailed checklist, which helps keep franchised units operating at the high level of efficiency demanded by Popeye's because of its unique recipes and procedures.

The Popeye's advertising department will supply a complete, professionally produced series of creative advertising for local, regional, and national campaigns. Sue has also learned that Popeye's advertising has won many awards, including the coveted Silver "Addy" Award for the South. These advertising campaigns help generate consumer activity in all market areas. The start-up costs include the following:

ESTIMATED CASH REQUIREMENTS FOR FIVE UNITS

Franchise License Fee	
First unit fee	
Second unit option fee	\$ 25,000
Third unit option fee	\$ 10,000
Fourth unit option fee	\$ 10,000
Fifth unit option fee	\$ 10,000
Total of Fees and Deposits	<u>\$ 10,000</u> \$ 65,000

EQUIPMENT AND FINES PER UNIT

(Down Payment)	\$ 15,000
Operating Capital	\$ 15,000
Total Cash Required First Unit	\$ 95,000
Cash Required for Each	
Additional Unit	
(Balance of Franchise)	\$ 15,000
Equipment and Signs	\$ 15,000
(Down Payment)	<u>\$ 5,000</u>
Start-up Operational Capital	\$ 160,000
TOTAL	

For a franchise that is purchasing land and building, the additional costs which might be incurred include:

Building with 45 Seats and a Drive-Thru	\$135,000
20,000 sq. ft. of land estimate	<u>\$100,000</u>
TOTAL	\$235,000

Sue is very excited about starting her new business, but she is unsure of how to begin, and she is still apprehensive because of her limited background in management and marketing. She is wondering what she should do to overcome these fears and inhibitions.