

Should the kids take over your franchise?

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Former NFL player **Don Davey** operates Firehouse Subs shops, one of 10 Zor Awards winners featured in this issue, in Wisconsin and Florida.



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ZOR AWARDS

BEST FRANCHISES TO BUY 2019

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PAMPER ME

WINNER: MY SALON SUITE

FINALISTS: AMAZING LASH STUDIO, ELEMENTS MASSAGE, SPORT CLIPS



Beauty and wellness franchises continue their rapid expansion, with those in this Zor Awards category combining for a whopping 215 unit openings in 2017. Franchisees of our winning brand, My Salon Suite, are providing the space versus the service, with that real estate model being among the appealing attributes of the Metairie, Louisiana-based concept.

While My Salon Suite had the fewest openings from 2015 to 2017—29—it also had the fewest closings: zero. That fact stood out in our research, along with the franchise's comprehensive Item 19 and high marks for return on investment. Providing both income and expense information, the 33 My Salon Suite locations reported average income of \$337,207 and EBITDA (earnings before interest, taxes, depreciation and amortization) of \$154,706 in 2017, with rent as the biggest expense at 33.2 percent.

My Salon Suite's initial investment range of \$550,400 to \$1.1 million was the highest among the brands we examined, but that's actually part of what attracted Aaron Gillaspie to the brand.

"It's a bigger barrier to entry," says Gillaspie, "but we liked that because not just anyone can do it."

Gillaspie is president and CEO of Willis Park Corp., the Houston-based venture capital firm he created to operate My Salon

his research into brands that ranged from fitness to dog boarding and others in the salon suite category.

"We loved the real estate play," he notes of My Salon Suite, and in meeting CEO Ken McAllister and the executive team, he felt comfortable and confident they'd be strong partners, a belief he says has held up.

"I've never seen a brand where we've had so much access to leadership," says Gillaspie.

His due diligence process also included 15 to 20 franchisee validation calls.

"We called anyone and everyone on the list and vetted the heck out of the franchisees," he says. "Everyone said, if you follow the systems and processes, the results will follow."

Gillaspie calls the franchisor's Item 19 "conservative," and notes, "Every one of my stores is outperforming the FDD averages."

It's not as simple as collecting rent checks from stylists each month, however. Successful franchisees take member support—the brand calls those who rent suites "members"—to the next level by offering help with financial planning and other aspects of their business.

"We go through a checklist initiation, it's not just they sign the lease and oh, good luck," stresses Gillaspie. "And in our locations we put on marketing events, chamber events, financial advising with bringing in CPAs." That ongoing support sets My Salon Suite apart from its competitors, he continues, as does its larger suites with standard amenities such as two washing stations.

Seeking more efficient building

Those high-end furnishings are part of what interested Vic Tenuto in My Salon Suite, as the former regional operations manager for CVS says he didn't want to get into a brand "on the lower end" of the build-out spectrum.

"My Salon Suite built their franchise with the salon owner in mind," says Tenuto, now the franchisee with wife, Lori, of three locations in Georgia. "I definitely felt like My Salon Suite was catering to the top of the line."

The concept's return on investment and its semi-absentee model fit with the lifestyle Tenuto sought after leaving corporate America and he says he did "a lot of due diligence on the competitors," something people can take for granted, before signing the franchise agreement. "You can't just rely on what you read in an FDD," he adds.

Now nearly five years in, Tenuto's been impressed with the brand's ability to support its existing franchisees while still growing at a fast clip. Weekly conference calls between

MY SALON SUITE

POSITIVES

- + Real estate focus and sub-leasing model is attractive to franchisees interested in semi-absentee ownership.
- + Fully equipped, upscale suites, plus ongoing business assistance, appeals to a range of beauty professionals.

USE CAUTION

- High construction/conversion costs that vary widely without an in-house construction team to improve efficiencies.

Angling for position at the premium end of the suite category, My Salon Suite touts its amenities in attracting beauty pros and, by extension, the well-capitalized franchisees who rent suites to them.

"We called anyone and everyone on the list and vetted the heck out of the franchisees."

—Aaron Gillaspie, My Salon Suite multi-unit owner

Suite locations, along with Hand & Stone Massage and Facial Spa, of which he's also a franchisee. Gillaspie was the first 'zee to sign a 10-unit deal with My Salon Suite in 2015. He has five locations open, "and we're in the midst of doubling down, adding another 13 units in Dallas and Fort Worth."

A former teacher, principal and founder of a charter school, Gillaspie was drawn to the systems and procedures inherent in franchising. He read more than 70 FDDs and attended 15-plus discovery days as part of

'zees and corporate leadership allow for an ongoing dialogue, and a franchise advisory council provides an opportunity for owners to share ideas from the field. One such idea, notes Tenuto, ultimately became the Suite Relief Fund, which serves to help members during times of crisis and also supports St. Jude Research Hospital.

"We wanted to get My Salon Suite involved in a charity at a large level and give us franchisees and our members an opportunity to do some good," says Tenuto, who's been part of the advisory council for two years.

Tenuto considers himself and his wife more active owners who make frequent visits to their locations with a focus on "building a neighborhood" and, like Gillaspie, providing resources to people so they can build their business.

"Driving sales is really driving occupancy for us. You have a finite number of suites to fill and once you do that it's maintenance," says Tenuto. "But it's a balance of not getting too involved, because our members want to be business owners and they don't need us interrupting their craft."

Tenuto set a goal of reaching 85 percent occupancy by year one for each location, "and we've had no problem hitting that goal."



▲ Franchisee Aaron Gillaspie (foreground) hosts a holiday party with members at one of his My Salon Suite locations in Texas.

“Because of the success we’re having we see no reason to stop at three,” he continues. As the system grows as a whole, however, Tenuto wants the brand to address costs related to “very intensive construction projects.”

“Some of the biggest unknowns are in the construction field, so does it make sense to

have a builder in house?” he says. “So that could be an opportunity, having an in-house construction team to build more efficiently.”

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—Laura Michaels

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