



STAFF PHOTO BY JAKE DANIELS

John Baldschun, co-owner of an America's Swimming Pool franchise, demonstrates cleaning procedures at a residential pool on Signal Mountain.

## Startups

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local branch of the pool service company, said Vernon, founder and CEO of the company. That figure includes the franchise fee and the capital for equipment to begin operations, he added.

"Running a business, you have to wear a dozen different hats," Vernon said. "A traditional business owner would have to do everything from setting up the books, marketing and being the guy to do the actual work."

But ASP, like many growing franchises, takes over the back office tasks for the entrepreneur in exchange for an initial fee and a percentage of the gross, to enable Baldschun to concentrate on actually running the business.

As a result, Baldschun's pool company branch in Chattanooga has increased its sales from \$225,000 in 2009 to \$350,000 in 2010, about a 50 percent jump, and the company will hire two additional people this year. He expects \$500,000 in sales in 2011 year with a 30 percent profit margin. Baldschun plans to step down from day-to-day work to concentrate on running the business.

"That was the goal from the beginning," he said.

In contrast, it can cost much more — from \$1.3 million to \$2.8 million — to buy into a McDonald's or Burger King franchise, not including

royalty fees that range from 4.5 percent to more than 12.5 percent, according to Entrepreneur Magazine.

With so much money on the line, it can take much longer to reach profitability, entrepreneurs say, and even longer with a new business.

### COMING SOON

Other inexpensive franchises making waves around the country are chomping at the bit to gain a foothold in the Dynamo of Dixie.

Nick Rizzi's SmartTax has expanded to 27 franchise locations in 15 months, he said. The business prepares tax forms for customers during roughly four months per year, leaving owners free to pursue other activities through the other eight, he said.

Entrepreneurs need only supply \$20,000 to open a location in a business where "it's not unusual to make \$50,000 to \$60,000 the first or second year," Rizzi said.

Based on income levels in Chattanooga, he said, an office that fills out 500 tax returns could make "over \$100,000 in revenue."

### WORKING OUTDOORS

But not everyone is good at math or wants to spend a third of a year filling out federal forms, said Lea Bailes, owner and CEO of multistate franchisor Guier Fence.

For \$25,000, Bailes said he'll help "the right person" who enjoys working outdoors with his hands to set up a business installing and maintaining fences.

"In Chattanooga, it'd be a

mixture of wood and ornamental metal fencing," he said.

A fence franchisee can make \$3,000 to \$4,000 per fence, he said, depending on the area. The number of franchisees allowed in a region is based on an algorithm that includes the number of single-family homes, income levels, and other factors, and Chattanooga is ripe for the picking, Bailes said.

### CLEANING FRANCHISE

If neither paperwork nor outdoor toil is appealing, Barry Bodiford's franchises allow entrepreneurs to work inside, just not at a desk, he said.

Bodiford, founder and executive officer of franchisor 360clean, specializes in cleaning medical facilities with "green" methods focused on keeping commonly touched surfaces as hygienic as possible, he said.

"We're eager to get into

Chattanooga," he said.

Entrepreneurs will need between \$30,000 and \$40,000 to get started in an area, he said, depending on population. Individuals who want to pick up some extra money can buy a personal franchise for just \$8,500, which includes training, marketing and accounting.

**One tax assistance franchise is open part of the year and can pull in \$100,000 in revenues.**

"You look around and you hear about the success or failure

of small-businesses, because the small business owner is having to wear all the hats," he said. "We're coming in and bringing in the sales specialist, we do accounting in the corporate office, and it leaves you to do operations."

### BALANCING RISKS

Before hopping into an franchise agreement, it's important for the entrepreneur to perform due diligence, cautions the American Association of Franchisees & Dealers.

If a deal sounds too good to be true, it probably is, the association said. Some franchisors are more interested in selling franchise agreements than they are in providing quality products and services, the association warned. Some offers resemble a multilevel marketing or pyramid scheme.

Secondly, if the franchisor is to conduct all the marketing for an entrepreneur's business, it's necessary to examine marketing materials, trademarks and the value of the company's goods and services.

Lastly, "never underestimate the startup costs of getting into the franchise," the organization said. "Make sure you have enough funds to carry you until the business makes a profit."

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# Startups ease strain

## Franchises let entrepreneurs focus on business operations

BY ELLIS SMITH  
STAFF WRITER

**S**tarting a small business is risky. With one bad decision, an entrepreneur could watch his entire savings go down the tubes in a matter of days.

Only 50 percent of small businesses survive more than five years, according to the U.S. Small Business Administration, a statistic that has some potential

business owners searching for safer alternatives.

That's why entrepreneurs such as John Baldschun have chosen not to start from scratch but instead buy into a franchise, a choice made by just 2 percent of entrepreneurs in the U.S., according to the agency.

Baldschun felt it was a safer bet in an unsafe economy, especially given his background in the financial services industry.

He first considered founding a construction company, but in light of the housing crisis, decided against it.

Then in 2008 he stumbled onto America's Swimming Pool Co., a franchisor in Macon, Ga., operated by Stewart Vernon.

For a \$60,000 investment, a tiny sum by business standards, a franchisee can open and own a

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— John Baldschun,  
pool company franchisee