
A GENERALIZED METHODOLOGY TO ESTABLISH A VALUE OF THE INITIAL FRANCHISE COSTS

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Introduction

The strategic decision whether to operate an enterprise as a sole proprietor or with a partner has plagued entrepreneurs for many years. A partnership is usually advantageous over a sole proprietorship if, with the inclusion of a partner, some type of synergy is achieved. In the generic sense, this synergy is what franchising attempts to produce. One type of synergy which franchising provides is knowledge, more specifically, strategic operational experience. The franchisors provide operational experience to blend with the sole proprietor's capital in an attempt to make a business more successful. Sole proprietors, therefore, attempt to reposition themselves and their establishment on the industry's learning curve by joining forces with a franchisor. The purpose of this research is to establish the value of this repositioning by presenting a model using a quantitative approach for assessing the benefits of the franchising contract.

Background and Literature Review

An appropriate description of the literature in the franchising area is best described in a quote by Caves and Murphy [6],

Franchised businesses account for over 38% of all retail sales in the United States and originate 12% of the gross national product, yet the franchise element has largely escaped economic analysis.

The published articles in franchising generally follow two broad based sub-areas of franchising. The first sub-area of the literature focuses on organizational economics. In a classic article, Coase [7] stated that economic organizations follow one or two general forms. The first form an organization will follow is that of the market organization. That is, the market that a firm is competing in helps develop and conform the firm to the market demands. The second form an organization will follow is that of the firm's organization. A firm's organization is a pre-ordained market structure, not influenced as much by the market forces, as it is by head office dictum. Organizational and managerial topics are explored in a number of articles ([2], [6], [23], [18], [21]).

The second sub-area compares the operations of franchisees with that of the franchisors. Research in this area compares the performance of franchisees with that of franchisors ([3], [16], [11], [22]) and also explores the trade-offs between franchise fees and agency problems ([4], [5], [21]).

Many articles provide purely qualitative criteria by which franchises can be evaluated. These articles are usually found in publications such as Venture, Money, INC, and Business Week. The finance area is replete with articles dealing with valuation, however, empirical studies in the area of franchise valuation have not been as plentiful in the management and operations area. The equations used in this research were primarily derived and developed by the author.

Statement of the Problem

Franchising comprises a significant portion of American business. The International Trade Administration states "... that franchise business accounted for \$591 billion in annual sales in 1987. Retail franchising amount to \$515 billion which is 33% of total U.S. retail sales" [17].

The purported benefit of buying into a franchise is the reduction of risk gained by the repositioning of the sole proprietorship on the individual business' learning curve. However, since the same business also can be a non-franchised independent sole proprietorship, an evaluation should be made to determine whether joining a franchise provides risk reduction equal to or greater than the purchase price of the franchise. The purpose of this study is to present and test a model for determining the value of joining a franchised organization. The test will determine if becoming a franchisee is a prudent investment.

Research Design

The prospective income from business assets gives them value [25]. In the case of a franchise, value accrues from the help and additional operational knowledge provided by the franchisor to the franchisee. The transference of entrepreneurial expertise repositions the franchisee on that industry's learning curve. The benefit of this repositioning may be measured by the decrease in entrepreneurial failure rates of new franchises versus new non-franchised firms. The success rates may also be calculated for both the new franchises versus new non-franchised firms (note: $1.0 - \text{the failure rates} = \text{the success rates}$). The value of the franchising license can be calculated using the difference in the success rates between franchised and non-franchised firms.

This research looks at comparable investments of both franchised and non-franchised businesses. This is not to suggest that the same type of business could not be entered into on a non-comparable basis, but non-franchised operations are usually smaller and do not have the capital resources to consider franchising as an option. For example, a sole proprietor could open a small hamburger shack for considerably less than a McDonalds outlet, however, the businesses would not compare in types of operations. This research is interested in comparing franchised and non-franchised businesses for like operations in which the initial investment for establishing the businesses are essentially the same.

Assuming identical businesses (ie., identical assets and products), the cost of opening a business to a non-franchisee (independent sole proprietor) is equal to that of a franchi-

see less the licensing costs. Almost all basic business expenses remain the same regardless of whether the business is independent or franchised [14]. For example, one could open a hamburger stand identical to McDonalds, serve the same generic food and in every way duplicate a McDonalds-type atmosphere without infringing on McDonalds' trademarks. The cost (construction and operation) of this independent proprietorship should approximate that of McDonalds, without the licensing cost for the McDonald's trademark usage. This leads to the development of the first equation:

$$K_s = K_f - K_l \quad (1)$$

where:

k_s = cost of an independent proprietorship

k_f = cost of a franchise*

k_l = licensing costs**

*Assuming identical businesses, the cost of a franchise includes all the same cost incurred by an independent proprietorship plus the cost of the franchise license.

**The licensing costs take into account the franchising, advertising, and miscellaneous on-going fees.

The benefits of franchising should therefore, at minimum, cover the licensing cost of franchising in order to make franchising a prudent investment. The licensing cost, sometimes referred to as the franchise fee, is usually an initial commitment fee (due prior to opening) and very often can be a major cost component of franchising. The franchises in this research charge a franchise fee which ranges from .03% to 937% of the estimated start-up cost of an independent proprietorship. The average franchise fee was 97% of the estimated start-up cost of an independent proprietorship.

The benefits of franchising can be measured by the increased probability of success due to membership in a franchise. The increased probability of success due to membership in a franchise can be obtained by subtracting the percentage of the success rates of the franchised form of business from the non-franchised form of business. Once again, this point can be illustrated by using the previous hamburger stand example. In order to determine the success differential that franchising makes, the prospective franchisor would have to compare the success rates of independent proprietorships with those of franchised outlets. Assuming that franchising leads to a more successful venture, the difference between the two rates would be the increased probability of success due to inclusion in a franchise. This leads to the derivation of the second equation:

$$P_i = P_f - P_n \quad (2)$$

where:

P_i = increased probability of success due to membership in a franchise.

P_f = the percentage success rates of the franchised form of business.

P_n = the percentage success rates of the non-franchised form of business.

Loss exposure is generically defined as that dollar value of an asset or investment which is exposed as a possible loss. The reduction in loss exposure to an individual investor may therefore be defined as the amount of the investment that is shielded from possible loss. One way of reducing loss exposure would be to increase the probability of success. The amount of reduced loss exposure may be defined as the increased probability of success multiplied by the cost of a business to an independent proprietor. This leads to the third equation:

$$L_x = P_i(K_s) \quad (3)$$

where:

L_x = the reduced loss exposure

Once again, this idea can be demonstrated by using the hamburger stand example. Assume that the cost of a non-franchised McDonalds clone required an investment of \$300,000. Given that a non-franchised hamburger stand has an 80% probability of failure and a franchised hamburger stand has a 30% probability of failure, the realizable loss exposures can be calculated. The realizable loss exposure concerning failure of a non-franchised burger stand would be \$240,000 (80% x \$300,000). The realizable loss exposure concerning failure of a franchised burger stand would be \$90,000 (30% x \$300,000). The probability of failure due to the inclusion in a McDonalds' franchise is 50% (80% - 30%) less. Therefore, by joining the McDonalds' franchise, the probability of realizable loss exposure has dropped \$150,000 (\$240,000 - \$90,000). This reduction in loss exposure is due to the diminished probability of failure.

This reduction in loss exposure represents the added value of belonging to a franchise. The added value of belonging to a franchise should be greater than or equal to the licensing cost of the franchise. An investment in a franchise would not be considered prudent if the projected monetary gains of belonging to a franchise were not greater than, or equal to, the cost of the franchise license. In other words, an entrepreneur should not consider purchasing a franchise license whose cost would exceed the protection offered by the reduction in loss exposure. This leads to the derivation of the fourth equation, the cost of the franchise license should be less than, or equal to, the value received through the reduction in loss exposure:

$$K_f < P_i(K_s) \quad (4)$$

Continuing with the previous example, if the entrepreneur could obtain a McDonalds' franchise for less than \$150,000, it would be considered a prudent investment, because the reduction in loss exposure by joining the franchise was calculated to be \$150,000. If the costs of the franchise license were greater than \$150,000, the cost would exceed the protection offered, and therefore should not be considered a prudent investment.

As previously stated, the added value of a franchising license should be greater than or equal to the reduction in loss exposure [loss exposure was derived in eq. 3, $P_i(K_s)$]. This is shown by the fifth equation:

$$AV_f > P_i(K_s) \quad (5)$$

where:

AV_f = is the added value of a franchise license.

The sixth equation then shows that the added value of a franchising license should be greater than, or equal to, the cost of that same license:

$$AV_f > K_1 \quad (6)$$

In summary, the cost of joining a franchise is the cost of a franchising license to a sole proprietor. The added value of joining a franchise to that sole proprietor is thus defined as the value obtained by the differentials in probability of success between a non-franchised and a franchised business multiplied by the cost of establishing an independent proprietorship. This value also represents the reduction in loss exposure.

The data used in this study came from many sources. The success rates of the two types of businesses (franchise and sole proprietorship) were not available, however, the failure rates of the two types of businesses were available. The minimum start-up costs for an independent proprietorship and the licensing costs (franchise fee), the business success rates and other data was obtained through information published in Venture, Entrepreneur, The Department of Commerce business failure rates, the franchises' individual 10-K's and the franchises' individual Uniform Franchise Offering Circulars.

Method

Atkinson [3] provides success factors for both franchise and independent businesses. These factors indicate the probability that a business will still be operating in a given year. The difference between the success factors was defined as P_i (eq. 2) which is the increased probability of success due to membership in a franchise. The success factors are listed in Table 1.

Table 1

Calculation of the Increased Probability of Success of a Franchise

<u>Years of Operation</u>	<u>Success Factors</u>		<u>Increased Probability of Success</u>
	<u>Franchise</u>	<u>Independent</u>	
1	93%	62%	35%
2	94%	43%	51%
3	93%	33%	60%
4	93%	27%	66%
5	92%	23%	69%
6-10	90%	16%	74%

The increased probability of success being associated with a franchise is the converse of the increased probability of failure for not being associated with a franchise. Taking the present value of the decreased probability of failure and applying a 9% discount rate, provides the present value of the maximum amount of risk reduction provided by a franchise license in any one given year. The 9% discount rate was taken from the Ibbotson and Sinquefeld study [13] and represents the return of the market in a diversified portfolio (the discount rate of a comparative alternative investment). The results are given in Table 2.

Table 2

Calculation of the Present Value of the Loss Factor for a Franchise

<u>Years of Operation</u>	<u>Increased Probability of Failure</u>	<u>Present Value of the Probability of Failure</u>
1	35%	32.1%
2	51%	42.9%
3	60%	46.3%
4	66%	46.8%
5	69%	44.8%
6-10	74%	31.3%

A comparison of the present value of the loss factors indicates that the maximum amount of risk reduction provided by purchasing a franchise is 46.8% of the invested capital. Therefore, 46.8% multiplied by the cost of an independent proprietorship (K_s) will give the overall value of risk reduction obtained through franchising.

The value of the invested capital in an independent business was obtained through data provided by the franchisors as reported in *Venture*. The value of an independent business was previously defined to be the start-up cost of a franchise business less the licensing costs (K_i in Eq. 1)

A Franchise Benefit Index was developed by the author to aid the reader in determining which franchises should be considered as a prudent investment based on the loss exposure criteria. The Franchise Benefit Index commonsizes the investments in both the franchise license and the initial start-up costs and indicates the franchise benefit as a percentage of invested capital. Invested capital in this case is the cost of an independent business to a sole proprietor. The larger the Franchise Benefit Index, the better the investment as a greater percentage of capital is exposed to less risk.

$$V_i = (K_i - L_x)/K_s \quad (7)$$

where:

$$V_i = \text{the Franchise Benefit Index}$$

The franchise benefit was obtained by subtracting the reduction in loss exposure from the franchise licensing cost (or franchise fee, as it is more commonly referred to in some

of the literature). The franchise benefit is the excess or deficit coverage of the loss exposure divided by the franchise fee. Using the previous hamburger stand example, given that a company's loss exposure had been calculated to be \$150,000 and the franchise fee was \$75,000, the franchise benefit is \$75,000 (\$150,000 - \$75,000). The reduction in loss exposure was obtained by multiplying the cost of an independent proprietorship by the increased probability of success due to membership in a franchise (\$300,000 x 50%: (Eq. 3)). The Franchise Benefit Index was then calculated by dividing the franchise benefit by the invested capital. Any franchise which has a Franchise Benefit Index in excess of zero may be considered a prudent investment based on the previously discussed loss exposure criteria (the franchise benefit is positive which meets the criteria put forth in Equation 5). The higher the franchise value index, the better the investment. The reason for this is that the higher the index, the higher the coverage of the franchise benefit on the invested capital. For example, consider two franchises with an identical franchise benefit of \$75,000. Investment A requires an initial capital outlay of \$400,000. Investment A would be considered the better investment because the franchise benefit (i.e., that amount of benefit which is greater than the franchise licensing costs) indicates a greater amount of coverage on the initial capital outlay. An independent proprietorship would be a more prudent investment than a franchise if the Franchise Benefit Index was less than one.

Results and Conclusions

Appendix A provides an evaluation of various franchises sorted by the franchise value index. In some cases the franchise value index is undefined. This is due to the fact that some franchises have a franchise fee, but have no invested capital requirements (i.e., they sell the franchisee the franchise, however any goods or services are sold on a pass-through or consignment basis requiring no initial investment by the franchisee).

Analyzing the 1989-1990 data from one hundred and forty-nine franchises using the loss exposure method described in this paper revealed some interesting findings. First, all of the franchises that were judged to be a non-prudent investment (from the franchisee's point of view) did not have a tangible product associated with their franchise's main line of business (i.e. hamburgers, pizzas etc.) A tangible product, however, was not a guarantee that a franchise would have a positive value index. Most of the franchises that had a negative franchise benefit index were service related industries. The worst categories of business according to the franchise value index were: the health and fitness business (87% of those tested had a negative franchise benefit index), the packing and shipping and the maintenance and cleaning businesses (83% of both industries had a negative franchise benefit index), and real estate franchises (57% of those tested had a negative franchise benefit index).

There does not appear to be any relationship between a company's franchise value index ranking and its franchise fee ($r^2 = .0098$). There appears, however, to be somewhat of a relationship between a company's franchise value index ranking and the company's invested capital ($r^2 = .1736$). This relationship may be explained in two ways. First,

the more money that one has invested, the more determined that that person will work to make their franchise a success and; second, the more money that one has invested, the more one needs that extra protection of the capital that is offered by joining a franchise. This is also shown by looking at the relationship between the franchise value index rank and the franchise fee as a percent of invested capital ($r^2 = .2349$). In general, the smaller the franchisee fee is, as a percent of invested capital, the better the company's franchise value index ranking.

The research indicated a number of franchise offerings which have positive franchise value index. If there were more than four individual franchises in a business type, the business types were organized into categories in order to determine which business types should be considered for investment. The franchise category of hotel/motel and fast food were the business types which had the highest overall average franchise value index. Furthermore, none of the franchises in the hotel/motel or fast food categories had a negative franchise value index.

This paper developed a generalized method to determine whether investing in a franchise is prudent. The success rates of both the franchised and the independent entrepreneurs in this model were obtained from aggregate data. The success rates for specific ventures may depend on individual factors which could affect the outcome. These factors may include such diverse items as: number of years in business, start-up costs, pending legal action and exclusivity. Although this is not an inclusive list, it does represent some of the variables that may alter the success rate, and therefore affect the outcome. Future research in this area of franchising is necessary.

Franchising is playing an increasingly important role in American business and qualitative measures alone may not be the best method of benefit analysis. The quantitative methods developed in this paper should provide an additional tool in evaluating a franchise to determine if an investment should be made.

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Appendix A

Franchise Analysis Sorted by Business Type

Franchise	Business Type	Invested Capital	Franchise Fee	Loss Exposure	Franchise Value	Value Index	Decision
1 Novus Windshield Repair	Auto Maintenance	6,250	2,900	2,925	25	0.4	Franc.
2 Jiffy Lube	Auto Maintenance	116,000	35,000	54,288	19,288	16.6	Franc.
3 Flying Colors	Auto Maintenance	22,400	15,000	10,483	(4,517)	(20.2)	Indep.
4 Laser Lube	Auto Maintenance	35,850	19,500	16,778	(2,722)	(7.6)	Indep.
5 Eaglespeed	Auto Maintenance	49,600	17,500	23,213	5,713	11.5	Franc.
6 Ameri-Mobile Car Care	Auto Maintenance	61,900	20,000	28,969	8,969	14.5	Franc.
7 Meineke Mufflers	Auto Maintenance	74,250	22,500	34,749	12,249	16.5	Franc.
8 Tidy Car	Auto Maintenance	43,450	12,500	20,335	7,835	18.0	Franc.
9 AutoSpa	Auto Maintenance	117,000	25,000	53,352	33,352	29.3	Franc.
10 Sparks Tune-Up	Auto Maintenance	114,000	20,000	53,352	33,352	29.3	Franc.
11 Precision Tune	Auto Maintenance	224,350	20,000	104,996	84,996	37.9	Franc.
12 Midas Muffler	Auto Maintenance	317,900	10,000	148,777	138,777	43.7	Franc.
13 U-Save Auto Rental	Auto Rental	42,200	17,000	19,750	2,750	6.5	Franc.
14 Ugly Duckling Rent-A-Car	Auto Rental	323,300	52,000	151,304	99,304	30.7	Franc.
15 Cindy's Cinnamon Rolls	Bakery	55,250	25,000	25,857	857	1.6	Franc.
16 Mom's Cinnamon Rolls	Bakery	72,750	20,000	34,047	14,047	19.3	Franc.
17 Cinnamon Sam's	Bakery	86,950	20,000	40,693	20,693	23.8	Franc.
18 T. J. Cinnamons	Bakery	165,100	15,000	77,267	62,267	37.7	Franc.
19 Stork News	Birth Announcements	2,000	12,250	936	(11,314)	(565.7)	Indep.
20 Yard Cards	Birth Announcements	14,750	1,000	6,903	5,903	40.0	Franc.
21 Management Reports & Serv.	Business Services	61,750	27,500	28,899	1,399	2.3	Franc.
22 Mail Boxes Etc.	Business Services	53,750	12,250	25,155	12,905	24.0	Franc.
23 Check-X-Change	Check Cashing	87,000	19,700	40,716	21,016	24.2	Franc.
24 Closettec	Closet Organizers	57,500	19,500	26,910	7,410	12.9	Franc.
25 Service Coffee	Coffee Sales	1,750	12,000	819	(11,181)	(638.9)	Indep.
26 Compact Disc Warehouse	Compact Discs	261,400	10,000	122,335	112,335	43.0	Franc.
27 Timbermill Storage Barns	Construction	6,700	12,000	3,136	(8,864)	(132.3)	Indep.
28 Four Seasons Greenhouses	Construction	45,250	12,500	21,177	8,677	19.2	Franc.
29 AmeriStar	Construction	521,650	15,000	244,132	229,132	43.9	Franc.
30 Jr. Food Mart	Convenience Stores	360,000	10,000	168,480	158,480	44.0	Franc.
31 Cosmetic Design Center	Cosmetics	14,600	7,500	6,833	(667)	(4.6)	Indep.
32 Money Mailer	Direct Mail Marketing	7,000	15,000	3,276	(11,724)	(167.5)	Indep.
33 Dollar Discount Stores	Discount Stores	77,000	15,000	36,036	21,036	27.3	Franc.
34 Dryclean U.S.A.	Dry Cleaning	187,500	40,000	87,750	47,750	25.5	Franc.
35 Clean 'n' Press for Less	Dry Cleaning	201,100	25,000	94,115	69,115	34.4	Franc.
36 Auto Mechanic Training	Education	8,100	10,000	3,791	(6,209)	(76.7)	Indep.
37 Gymboree	Education	16,200	16,000	7,582	(8,418)	(52.0)	Indep.

38 Sylvan Learning Centers	Education	53,300	24,750	24,944	194	0.4	Franc.
39 Huntington Learning Center	Education	78,900	27,500	36,925	9,425	11.9	Franc.
40 Dunkin' Donuts	Fast Food	134,400	35,000	62,899	27,899	20.8	Franc.
41 Blimpie	Fast Food	92,300	16,500	43,196	26,696	28.9	Franc.
42 Taco Bell	Fast Food	206,150	35,000	96,478	61,478	29.8	Franc.
43 Subway Sandwiches	Fast Food	53,900	7,500	25,225	17,725	32.9	Franc.
44 Arby's	Fast Food	324,000	37,500	151,632	114,132	35.2	Franc.
45 Gourmet Pizza	Fast Food	73,000	7,500	34,164	26,664	36.5	Franc.
46 Fajita Junction	Fast Food	194,000	17,500	90,792	73,292	37.8	Franc.
47 Dairy Queen	Fast Food	362,300	30,000	169,556	139,556	38.5	Franc.
48 Taco John's	Fast Food	213,600	16,500	99,695	83,465	39.1	Franc.
49 Domino's Pizza	Fast Food	103,100	6,500	48,251	41,751	40.5	Franc.
50 McDonald's	Fast Food	393,000	22,500	183,924	161,424	41.1	Franc.
51 Wendy's Hamburgers	Fast Food	562,250	30,000	263,133	233,133	41.5	Franc.
52 Roy Rodgers	Fast Food	614,150	30,000	287,422	257,422	41.9	Franc.
53 Church's Fried Chicken	Fast Food	310,250	15,000	145,197	130,197	42.0	Franc.
54 Popeyes Fried Chicken	Fast Food	310,750	15,000	145,431	130,431	42.0	Franc.
55 Jack in the Box	Fast Food	518,700	25,000	242,752	217,752	42.0	Franc.
58 Kentucky Fried Chicken	Fast Food	903,000	20,000	422,604	402,604	44.6	Franc.
59 Hardee's	Fast Food	721,450	15,000	337,639	322,639	44.7	Franc.
60 A Night With The Stars	Fund Raising	15,100	16,650	7,067	(9,583)	(63.5)	Indep.
61 Basquettes	Gifts	75,250	12,500	35,217	22,717	30.2	Franc.
62 Fantastic Sams	Hair Cutting	64,600	25,000	30,233	5,233	8.1	Franc.
63 Easy Hair	Hair Cutting	64,000	20,000	29,952	9,952	15.6	Franc.
64 Cost Cutters Hair Care	Hair Cutting	53,500	12,500	25,038	12,538	23.4	Franc.
65 Diet Center	Health/Fitness	0	18,000	0	(18,000)	*****	Indep.
66 Total LifeStyle	Health/Fitness	11,650	15,875	5,452	(10,423)	(89.5)	Indep.
67 Nutri-Bolic Weight Reduction	Health/Fitness	15,950	17,900	7,465	(10,435)	(65.4)	Indep.
68 Woman at Large	Health/Fitness	20,500	17,000	9,594	(7,406)	(36.1)	Indep.
69 Physicians Weight Loss	Health/Fitness	46,250	32,500	21,645	(10,855)	(23.5)	Indep.
70 Nat. Health Enhancement	Health/Fitness	26,450	16,250	12,379	(3,871)	(14.6)	Indep.
71 Nutri/System Weight Loss	Health/Fitness	66,150	34,500	30,598	(3,542)	(5.4)	Indep.
72 Jazzercise	Health/Fitness	1,550	500	725	225	14.5	Franc.
73 Decorating Den	Home Decorating	17,500	12,900	8,190	(4,720)	(26.9)	Indep.
74 Deck the Walls	Home Decorating	159,500	35,000	74,646	39,646	24.9	Franc.
75 Super 8 Motels	Hotel/Motel	1,400,000	20,000	655,200	635,200	45.4	Franc.
76 Hampton Inn	Hotel/Motel	3,092,000	35,000	1,447,056	1,412,056	45.7	Franc.
77 Quality/Comfort Inns	Hotel/Motel	3,783,500	40,000	1,770,678	1,730,678	45.7	Franc.
78 Days Inns of America	Hotel/Motel	3,625,000	29,000	1,696,500	1,667,500	46.0	Franc.
79 Park Inn International	Hotel/Motel	3,527,050	13,500	1,650,659	1,637,159	46.4	Franc.
80 Compri Hotel	Hotel/Motel	8,955,250	30,000	4,191,057	4,161,057	46.5	Franc.
81 Zack's	Ice cream/Yogurt	103,800	20,000	48,578	28,578	27.5	Franc.
82 I Can't Believe It's Yogurt	Ice cream/Yogurt	124,650	20,000	58,336	38,336	30.8	Franc.
83 Penguin's Place Frozen Yogurt	Ice cream/Yogurt	166,900	25,000	78,109	53,109	31.8	Franc.
84 J. Higby's Yogurt	Ice cream/Yogurt	134,000	20,000	67,712	42,712	31.9	Franc.
85 California Yogurt	Ice cream/Yogurt	155,000	20,000	72,540	52,540	33.9	Franc.
86 TCBY	Ice cream/Yogurt	168,750	17,000	78,975	61,975	36.9	Franc.
87 Perkits Yogurt	Ice cream/Yogurt	84,400	2,000	39,499	37,499	44.4	Franc.
88 Duraclean	Maintenance/Cleaning	400	18,350	187	(18,163)	(4,540.7)	Indep.
89 Coverall	Maintenance/Cleaning	950	8,900	445	(8,455)	890.0	Indep.
90 Coustic Glo	Maintenance/Cleaning	3,300	17,375	1,544	(15,831)	(479.7)	Indep.
91 Servpro	Maintenance/Cleaning	6,950	32,500	3,253	(29,247)	(420.8)	Indep.
92 Rainbow International	Maintenance/Cleaning	5,600	15,000	2,621	(12,379)	(221.1)	Indep.
93 Merry Maids	Maintenance/Cleaning	8,300	17,500	3,884	(13,616)	(164.0)	Indep.
94 TGIF	Maintenance/Cleaning	4,700	8,500	2,200	(6,300)	(134.1)	Indep.
95 Jani-King	Maintenance/Cleaning	6,400	10,250	2,995	(7,255)	(113.4)	Indep.
96 Master Works	Maintenance/Cleaning	10,950	14,248	5,125	(9,123)	(83.3)	Indep.
97 Service Master	Maintenance/Cleaning	15,900	13,600	7,441	(6,159)	(38.7)	Indep.

98 Amer. Mobile Power Wash	Maintenance/Cleaning	22,900	15,000	10,717	(4,283)	(18.7)	Indep.
99 Chem-Dry	Maintenance/Cleaning	9,800	4,550	4,586	36	0.4	Franc.
100 CompuFund	Mortgage Services	4,600	1,795	2,153	358	7.8	Franc.
101 Packy the Shipper	Packaging/Shipping	0	1,145	0	(1,145)	*****	Indep.
102 Package Plus	Packaging/Shipping	0	30,000	0	(30,000)	*****	Indep.
103 United Package	Packaging/Shipping	21,600	15,000	10,109	(4,891)	(22.6)	Indep.
104 Handle With Care	Packaging/Shipping	11,900	6,750	5,569	(1,181)	(9.9)	Indep.
105 Pak Mail Centers	Packaging/Shipping	28,850	15,500	13,502	(1,998)	(6.9)	Indep.
106 Packaging Plus Service	Packaging/Shipping	43,250	15,500	20,241	4,741	11.0	Franc.
107 WaynePaging	Paging Systems	12,350	22,500	5,780	(16,720)	(135.4)	Indep.
108 Voice-Tel	Paging Systems	95,100	20,000	44,507	24,507	25.8	Franc.
109 Celluland	Paging Systems	162,500	25,000	76,050	51,050	31.4	Franc.
110 Management Recruiters Int'l	Personnel Placement	24,650	25,000	11,536	(13,464)	(54.6)	Indep.
111 Express Services	Personnel Placement	35,200	10,500	16,474	5,974	17.0	Franc.
112 Snelling Temporaries	Personnel Placement	95,000	6,000	44,460	38,460	40.5	Franc.
113 Pets Are Inn	Pet Care	3,500	5,300	1,638	(3,662)	(104.6)	Indep.
114 Pet Nanny	Pet Care	7,200	5,200	3,370	(1,830)	(25.4)	Indep.
115 American Speedy Printing	Printing/Copying	65,250	39,500	30,537	(8,963)	(13.7)	Indep.
116 Minuteman Press	Printing/Copying	48,300	24,500	22,604	(1,896)	(3.9)	Indep.
117 Insty-Prints	Printing/Copying	85,500	40,000	40,014	14	0.0	Franc.
118 Print Shack	Printing/Copying	47,450	17,500	22,207	4,707	9.9	Franc.
119 PIP Printing	Printing/Copying	119,500	40,000	55,926	15,926	13.3	Franc.
120 TransAmerica Printing	Printing/Copying	53,000	14,900	24,804	9,904	18.7	Franc.
121 Sir Speedy Printing	Printing/Copying	74,300	17,500	34,772	17,272	23.2	Franc.
122 Better Homes Read Estate	Real Estate	0	24,750	0	(24,750)	*****	Indep.
123 ERA	Real Estate	4,630	14,400	2,176	(12,224)	(262.9)	Indep.
124 Reatly World	Real Estate	15,600	10,400	7,301	(3,099)	(19.9)	Indep.
125 Ambus	Real Estate	39,900	25,000	18,673	(6,327)	(15.9)	Indep.
126 RE/MAX	Real Estate	39,200	13,750	18,346	4,596	11.7	Franc.
127 Partners	Real Estate	86,400	12,000	40,435	28,435	32.9	Franc.
128 Help-U-Sell	Real Estate	45,000	4,500	21,060	15,560	36.8	Franc.
129 ColorTyme	Rental Services	82,900	6,000	38,797	32,797	39.6	Franc.
130 Sizzler	Restaurants	800,000	30,000	374,400	344,400	43.1	Franc.
131 Ponderosa	Restaurants	747,650	25,000	349,900	324,900	43.5	Franc.
132 Shoney's	Restaurants	499,300	12,500	233,672	221,172	44.3	Franc.
133 Miracle-Ear	Retail Hearing Adis	31,500	6,250	14,742	8,492	27.0	Franc.
134 Monograms Today	Retail Intimate Apparel	49,450	12,500	23,143	10,643	21.5	Franc.
135 Medicine Shoppe	Retail Pharmacy	65,000	18,000	30420	12,420	19.1	Franc.
136 Caddy Shack Golf Shops	Retail Sporting Goods	130,000	30,000	60,840	30,840	23.7	Franc.
137 Sports Fantasy	Retail Sporting Goods	138,400	15,000	64,771	49,771	36.0	Franc.
138 The Elephant's Trunk	Retail Toys	65,100	8,000	30,467	22,467	34.5	Franc.
139 The Pro Image	Retail-Sporting Goods	88,500	16,500	41,418	24,918	28.2	Franc.
140 Sign Up	Signs	48,300	24,000	22,604	(1,396)	(2.9)	Indep.
141 Fastsign Centers	Signs	65,000	17,500	30,420	12,920	19.9	Franc.
142 Sign Shop	Signs	580,050	15,000	271,463	256,463	44.2	Franc.
143 The Signery	Signs	29,700	14,900	13,900	(1,000)	(3.4)	Indep.
144 Travel Agents Int'l	Travel Agencies	63,900	39,500	29,905	(9,595)	(15.0)	Indep.
145 West Cost Video	Video	167,300	32,500	78,296	45,796	27.4	Franc.
146 Blockbuster Video	Video	527,500	100,000	246,870	146,870	27.8	Franc.
147 Blockbuster Video	Video	549,800	35,000	257,306	222,306	40.4	Franc.
148 StellarVision	Video Services	22,500	15,000	10,530	(4,470)	(19.9)	Indep.
149 Video Data Services	Videotaping Services	2,500	13,950	1,170	(12,780)	(511.2)	Indep.