

2016  
Franchise Grade®  
Startup Franchise Investment Profile





Vital Insight for your investment.™

## 2016 Franchise Grade® Startup Franchise Investment Profile Client®

This Franchise Grade® Startup Franchise Investment Profile (FIP) was developed by FranchiseGrade.com based upon an analysis of Franchise Disclosure Documents (FDDs).

### Startup Franchises

Startup franchise brands can present a higher degree of risk compared to other franchise brands, since the franchisor has not established a performance history in franchising. Prospective franchisees who consider investing in a startup franchise should conduct a thorough review of the Franchise Disclosure Document and related documents by engaging the services of a qualified attorney.

While investing in a startup franchise brand can be a risky endeavor, our analysis indicates that there is an opportunity for success, which can be measured by both system growth and system health.

Out of 187 franchise brands that have been franchising since 2010 and had 5 or less outlets at the start of 2011, 43.3% (81), grew to 10 or more by 2015. In other words, 43.3% of this group of startup franchise brands had appreciable growth, from 2010 to 2015.

Although not all startup franchise brands are successful, of those that do have significant growth, the quality of this growth can be quite robust, when compared to other brands. Of the group of 81 startup franchise brands that experienced growth, their average Net Growth rate (from 2010 to 2015) is 89.4%.

Those startup franchise brands with growth also tend to have healthier system performance, as measured by their turnover rates. Of that group of 81 startup brands, their Average Franchisee Turnover Rate (from 2010 to 2015) is 6.4%, which compares to 11.2% for the franchise industry. Looking at 2014 specifically, the group of 81 brands experienced a franchisee turnover rate of 8.1%, which compares to 10.6% for the franchise industry.

This difference is reinforced by examining the quality of turnover. Of the 81 startup brands, only 43% of their turnover resulted from closures & terminations, which compares to 54.7% for the franchise industry. Franchise closures & terminations are negative forms of franchise turnover and a high level of such terminations can be indicative of poor system health.

Our research indicates that those startup brands who experienced growth are more than twice as likely to have started franchising with at least one company outlet than those who did not grow at all.

When considering investing in a startup franchise brand, prospective franchisees should consider the seven factors that comprise the Franchise Performance Index™, which will help evaluate potential franchise system performance.

All data in this report is extracted from 2015 and 2016 FDDs provided to FranchiseGrade.com or acquired from registration states. All benchmarks and comparative assessments are based on the collated data from 2,387 FDDs. This data is deemed to be reliable to the extent of the information provided to FranchiseGrade.com.

Grades are based on benchmarks to the franchise industry or sector and a gradient measurement within the franchise industry against other franchise systems.

\*An F grade in Item 19 Disclosure means there is no Item 19 Franchisee Performance Representation provided by the franchisor

The grades are relational to other franchise systems and the franchise industry.

The Startup FIP is an operational and financial analysis for prospective franchisees, investors and lenders. It represents an assessment and review of the investment risks associated with a specific franchise system and the franchisor. Each Startup FIP draws on data and information from Franchise Disclosure Documents for a given year. FranchiseGrade.com utilizes a distinctive methodology in evaluating the FDD for investment purposes. The Startup FIP includes the results of the Franchise Grade® Franchise Performance Index™, a proprietary franchise ranking system which represents the most comprehensive evaluation of franchise system performance in the franchise industry. The Startup Franchise Performance Index™ is the basis for the Franchise Grade® Top 500, an annual publication of top performing healthy franchise systems throughout the United States.

PLEASE NOTE: FranchiseGrade.com and the results of the Startup FIP do not represent a recommendation of investment to a prospective franchisee or other investor. Any proposed franchise investment should be carefully researched by prospective franchisees or other investors and comprehensive due diligence performed including seeking advice from legal counsel and a qualified accountant. Additional information should be gathered by speaking with existing and former franchisees.

The contents of this report have been prepared to provide an analysis and information pertaining to a specific franchise system. The data and benchmarks are based on historical performance and does not represent or provide any forward looking statements.

In preparing the information contained in this report, we have not taken into account an investor's objectives, financial situation, qualification or needs. Before making an investment decision, the investor needs to consider whether this information is appropriate to their objectives, financial situation and needs.

## About FranchiseGrade.com

FranchiseGrade.com is the leading market research company in franchising. FranchiseGrade.com analyzes and benchmarks the performance of individual franchise systems and provides useful data and research for due diligence. Our analyses of specific franchise data utilize statistically based practices developed by FranchiseGrade.com with the assistance of representatives from two academic institutions. FranchiseGrade.com believes that this Franchise Investment Profile accurately analyzes the performance of the franchise system as a benchmark to other franchise systems and provides an investment risk profile that can be used as part of a comprehensive due diligence effort prior to investing into any franchise system.

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# 2016

## Ben's Marketplace

### Startup Franchise Investment Profile

The Ben's Marketplace Franchise Disclosure Document used for this Startup Franchise Investment Profile was issued April 8, 2016.

Ben's Marketplace has been franchising since 2015 and has no franchised outlets (as of the issuance of its FDD). Investing in a franchise from a startup franchisor is a higher risk than investing in a franchise with a long-standing brand, with years of continued outlet growth and a strong system infrastructure.

However, we also note that startup franchisors can provide a great opportunity, in certain circumstances, especially for potential franchisees who are looking at joining a system at a potentially high-growth stage.

After analyzing the content of its FDD, we have found that Ben's Marketplace has Made The Grade, by showing key positive attributes as a startup franchise brand that should facilitate their success.

Ben's Marketplace offers franchises that "operate retail health food pet stores that offer premium quality pet food, toys and related products, and information and education to pet owners on the proper diet, health and well-being of their pets."

For a Ben's Marketplace franchise, the Estimated Initial Investment is \$189,800 to \$352,050.

Ben's Marketplace operates in Roseville, California, at 701 Please Grove Boulevard, #120. Its website is [www.bensmarketplace.com](http://www.bensmarketplace.com), its email address is [brad@bensmarketplace.com](mailto:brad@bensmarketplace.com) and its telephone number is 1-916-797-3647.

This analysis compares Ben's Marketplace with 81 Startup brands that experienced growth from 2010 to 2015 and with 202 other Retail Products & Services brands.



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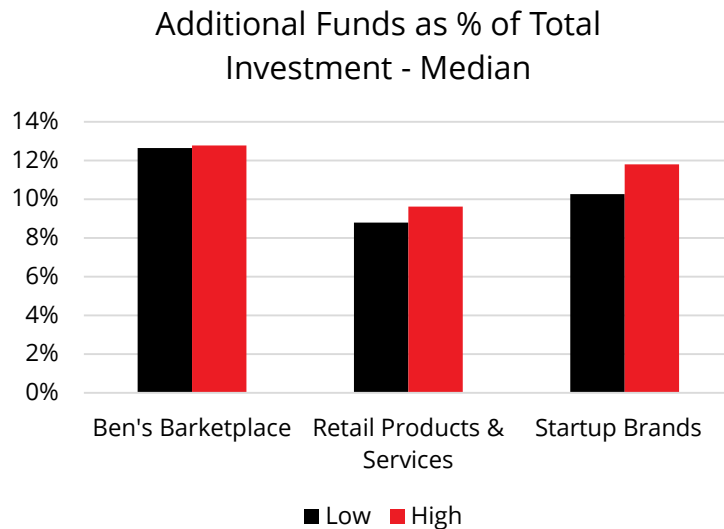
Investment Structure provides an analysis of the initial franchise fees, working capital requirements and annualized costs. A prospective franchisee must analyze a specific franchise investment to ensure that there is a favorable relationship between their available investment capital and the franchise investment required.

## INVESTMENT STRUCTURE

Opening a Ben's Marketplace franchise requires a flat Initial Franchise Fee of \$35,000; however, as Ben's Marketplace has no franchised outlets (as of its FDD issuance), it is offering a reduced fee of \$29,000 for the first five franchises. Also, Ben's Marketplace offers a 25% discount off the Initial Franchise Fee for veterans and for current franchisees purchasing additional outlets.

Ben's Marketplace has an Additional Funds requirement that is 12.6% to 12.8% of the Total Initial Investment. This compares to a median requirement of 8.8% to 9.6% among Retail Products & Services brands and 10.3% to 11.8% among Startup brands.

A high Additional Funds requirement ensures that franchisees have sufficient liquidity as they establish their new business.





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## ONGOING FEES

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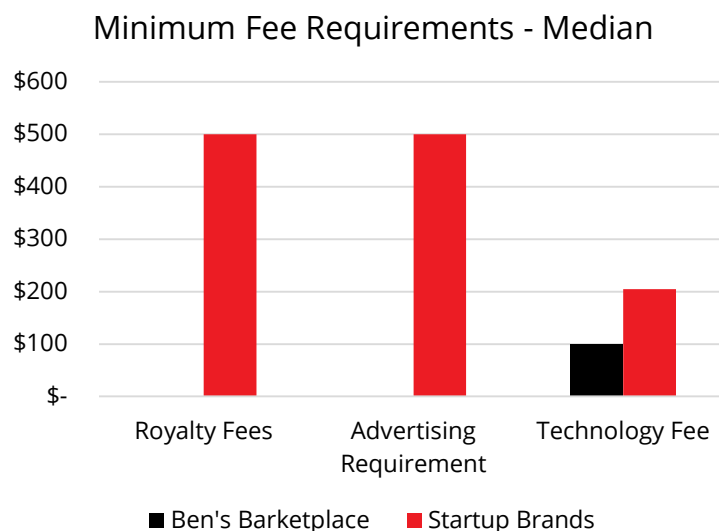
Ongoing fees are a benchmark of total royalties and reoccurring fees. It includes a combination of the royalty rate and national and local advertising fund contribution fees. This grade includes an analysis of the types of fees and the degree of complexity within Item 6 and any other franchisee financial obligations to the franchisor.

Ben's Marketplace franchisees pay a weekly Royalty Fee of 5% of gross sales and make a Brand Fund Contribution, also weekly, of 2%. Franchisees are expected make a Local Advertising Expenditure of 3%, monthly.

These averages are comparable to those charged by Retail Products & Services brands and by Startup brands.

In terms of minimum dollar-based fees, Ben's Marketplace requires a \$100 monthly Technology Fee. Ben's Marketplace has no other minimum dollar-based fees.

This contrasts to median minimum dollar-based fees among Startup brands, which have a minimum Royalty Fee of \$725, a minimum Advertising Fee of \$500, and a minimum Technology Fee of \$583, all calculated monthly.







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## FRANCHISEE RIGHTS

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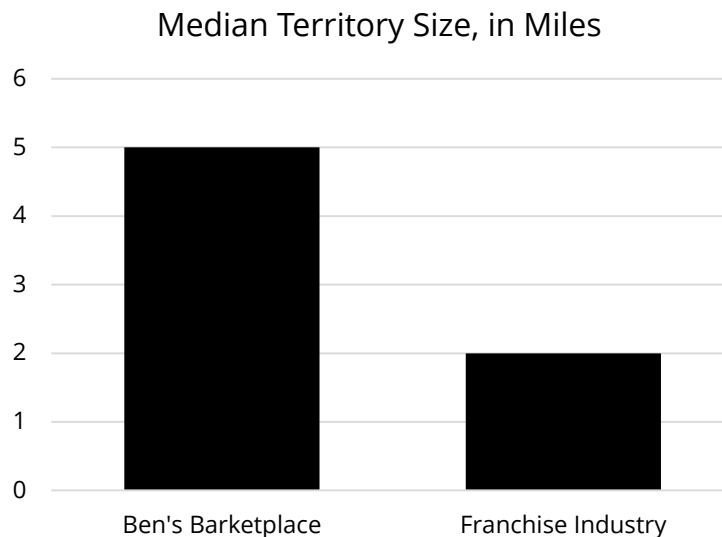
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Franchisee territory and related contractual rights represent one of the three top priorities to consider when evaluating a franchise opportunity. The key attributes of a franchisee territory include; the quality of the territory, the potential for continued growth and whether the territory is both protected and exclusive. The term of the franchise agreement and the annualized cost of the investment are included in this grade.

Ben's Marketplace franchisees are granted an initial term of 10 years and, subject to eligibility requirements, may renew for one 10-year term.

Ben's Marketplace franchisees receive a Defined Territory, which will usually have a 5-mile radius. In the franchise industry overall, among those brands that delineate territory size by miles, the median minimum territory size is only 2 miles.

Having a good-sized territory is important for new franchisees, as they seek to establish their business in a competitive environment.





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## FRANCHISE RELATIONS

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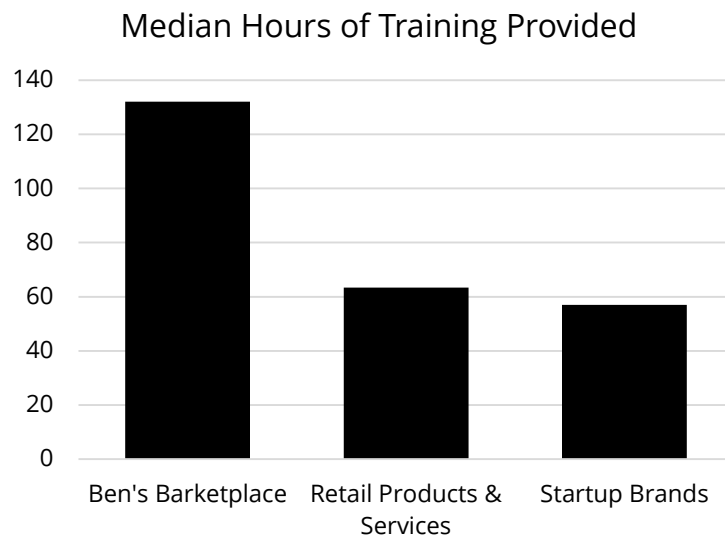
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Franchise litigation provides information regarding current and prior legal actions between a franchisor and franchisee. A lack of significant litigation in the FDD of a mature franchise system can be considered an indicator of a successful franchise system with satisfied franchisees. We refer to this measure as the Litigation to Outlet Ratio, which can be used to compare the amount of litigation for franchise systems.

With no franchised outlets, as of the issuance of its FDD, it is difficult to discern how Ben's Marketplace's franchise relations will unfold, as franchised outlets open.

However, we have reason to express some guarded optimism, due to the absence of litigation in its Item 3, the absence of bankruptcy in Item 4, and the healthy franchisee rights, as mentioned above.

One indication of a franchisor's commitment to positive franchise relations is the amount of training provided to new franchisees. Ben's Marketplace provides a total of 132 hours of training, 36 of which in the classroom and 96 of which is on-the-job. This compares to a median of 63.4 hours among Pet Care brands and 57 among Startup brands.





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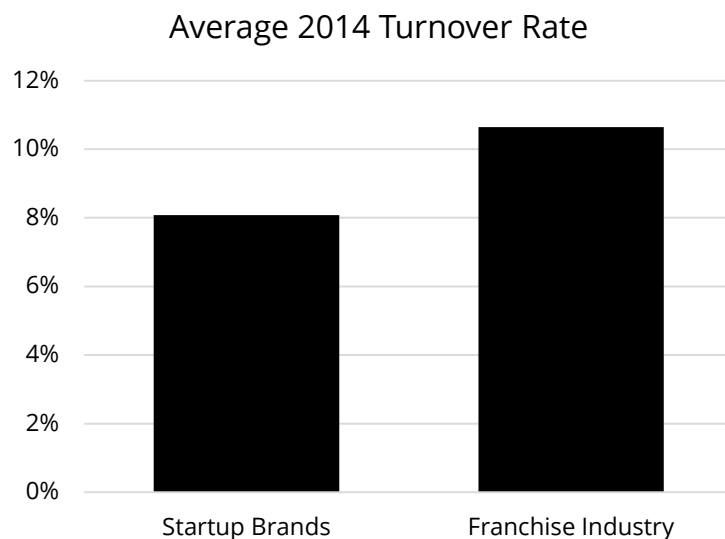
Franchisee turnover is an important consideration for a candidate to review. It includes franchisee terminations, franchisee ceased operations and franchisee transfers. A high percent of terminations and ceased operations relative to franchisee locations is an indicator of an unhealthy franchise system. A high number of transfers can indicate a vibrant franchise system where there is a convergence of franchisees seeking to cash out their investment and buyers seeking to invest in a franchise operation.

## SYSTEM TURNOVER

As Ben's Marketplace has no franchised outlets as of the issuance of its FDD, there is no system turnover for us to assess. However, we are able to examine the turnover rates for Retail Products & Services and for Startup brands, as they compare to the overall franchise industry.

Among Retail Products & Services brands, the average 2014 turnover rate was 9.9%, which compares to 8.1% for Startup Brands and 10.6% for the franchise industry.

Although investing in a startup franchise has risks, those that grow tend to have lower turnover than that experienced in the franchise industry.





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# Nil

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One of the most important measures of a franchise system is the growth of the franchise network. A major difference between healthy and unhealthy franchise systems is where there is positive franchise outlet growth over a sustained period of time. Although there are examples of franchise systems with dynamic outlet growth, some of these systems were labeled as unsuccessful franchise systems.

## SYSTEM GROWTH

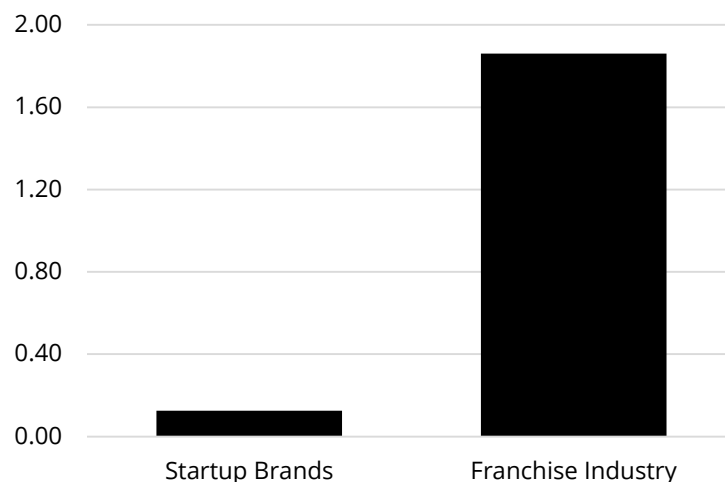
As Ben's Marketplace has no franchised outlets as of the issuance of its FDD, there is no system growth for us to assess. However, we are able to examine the growth rate for Retail Products & Services and Startup brands, as they compare to the overall franchise industry.

One way of measuring system growth is by comparing the amount of turnover to the amount of growth, in a Turnover to Open Ratio, (with the lower ratio being better).

Among Startup brands, the Average Turnover to Open Ratio is 0.12, which compares to 1.85 for Retail Products & Services brands and a substantively similar 1.86 for the franchise industry.

This indicates that startup brands who experience appreciable growth not only experience a higher rate of growth, but also a healthier rate of growth.

Average Turnover to Open Ratio





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## ITEM 19 DISCLOSURE

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The grading platform is based on the following criteria: Can a prospective franchisee create a reasonably accurate proforma and cash flow analysis utilizing the data provided in Item 19. Each grade is based on the ability of a franchisee candidate to analyze financial data based upon the financial information disclosed in Item 19. To receive an A grade, a franchise system must provide more detail than simply gross revenues.

More franchisors are making an Item 19 disclosure, known as a Financial Performance Representation ("FPR"), which provides prospective franchisees with much-needed financial information. Only 55% of Retail Products & Services brands and 56.8% of Startup brands provide an FPR disclosure.

In its Item 19, Ben's Marketplace provides detailed expense data, such as the Cost of Goods Sold and funds spent on Wages, Salaries, Benefits, for one affiliate outlet. Also, it provides both expense and revenue information for this outlet, for 2013, 2014, and 2015, showing how Net Income increased from \$68,327 for 2013 (after all inventory, labor, and operating expenses) to \$130,278 for 2015.

Providing expense data and historical information allows prospective franchisees to see both the costs and the potential revenue of owning a particular brand's franchised outlet. Of those Retail Products & Services brands that provide an FPR disclosure, only 3.6% provide historical data and only 23.4% provide expense data. Among Startup brands that provide an FPR, only 28.3% provide expense data.

As Ben's Marketplace has one affiliate outlet and as it provides a detailed FPR based on information from that outlet, we consider their Item 19 disclosure to be high.



# OVERALL GRADE

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## Profile Summary

**Ben's Barketplace has been designated an A as a result of the following attributes:**

- **High Item 19 disclosure**
- **Strong investment structure**
- **Quality franchisee rights**
- **For a startup, Ben's Barketplace presents positive attributes that coincides with those that have succeeded, such as having a company (affiliate) outlet**

Due to Ben's Barketplace being a Startup franchise brand, with no franchised outlets, as of the issuance of its FDD, we provide this "A" grade with some cautious optimism, as we are unable to assess system turnover or system growth.

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*FRANCHISEGRADE.COM DOES NOT ENDORSE ANY INVESTMENT TO A PROSPECTIVE FRANCHISEE OR OTHER INVESTOR AND HIGHLY RECOMMENDS THAT COMPREHENSIVE DUE DILIGENCE IS PERFORMED, INCLUDING SEEKING PROFESSIONAL SUPPORT AND SPEAKING WITH EXISTING AND PAST FRANCHISEES.*

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