

Duo aims to take pain out of franchising



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Partners take novel approach to business model

BY SANDRA ZARAGOZA STAFF WRITER

BREAKING GROUND

Steve Bergenholtz, right, president of Franchising Ventures Group, and Cole Patterson, chief operating officer, believe they will tap into a new niche with an unusual franchising model.



Hoping to discover the next McDonald's or Subway, a local entrepreneur and a financial manager together have launched an unusual business model, offering millions from their own coffers to roll out franchises.

Last month, Steve Bergenholtz and Cole Patterson launched Plano-based Franchising Ventures Group with the goal of partnering with the owners of small and medium-size businesses that are looking to franchise their operations but may

not have the financial muscle or know-how to do so.

Bergenholtz and Patterson say they have lined up \$10 million in financing from private investors, including "a few million" they have contributed themselves.

They say Franchising Ventures Group will be willing to invest \$1 million in each franchise partnership – as well as handling the franchising process from beginning to end, from legal documents and operating manuals to the sale of franchises

and franchise support – all at zero cost to the franchise partner.

“They own a piece of this deal. Without having to put up any money they get a share in a nationwide and possibly worldwide expansion,” Patterson said.

The way it works is that Franchising Ventures Groups sets up a franchise company with its partner, sharing ownership of the new company and taking a percentage of any profit made – the percentage will vary with each deal. In return, the franchise partner hands over franchising rights to the new company and gives Franchising Ventures Group access to its business format and operating procedures.

“It’s very difficult to (be both a business owner and franchisor).” Patterson said. Most people who try to do it lose their focus or fail. They simply don’t have the time or energy to ride both horses at once. We solve that problem.”

Don DeBolt, president of the Washington-based International Franchise Association, says there previously have been efforts at something similar to Franchising Ventures Group’s model, but he isn’t aware of that precise model functioning in today’s marketplace.

Typically, a business owner may sell his franchise rights to another company, which then establishes a franchise program. Or the owner may decide to pay an outside party to run the franchise operation.

A franchise company’s revenue is generated through a franchisee who typically pays an initial franchise fee

and ongoing royalties, usually about 5% of sales.

Under the Franchising Ventures Group model, instead of receiving 100% of the royalties and fees, the original business owner receives a cut of the royalties and fees that are generated by the shared company. Not only do the businesses not have to put up any upfront cash, Bergeholtz says, but they are able to retain complete ownership and management of existing operations and “focus on their core business.”

Ultimately, Franchising Ventures Group’s attractiveness to potential franchise partners will hinge on whether it is able to establish a proven track record, DeBolt said.

Business acumen

Bergeholtz, a self-confessed “serial entrepreneur,” has dabbled in industries ranging from video production to dry cleaning. He owns Plano-based Sandbox Press, a book and educational materials publishing company with seven full-time employees. He also launched Sandbox Studios, a software company that counted The Walt Disney Co. (NYSE: DIS) and DreamWorks Animation Inc. (NYSE: DWA) among its clients. He sold that company in 2001 for an undisclosed amount.

Patterson is a venture capitalist and financial manager who spent time on Wall Street working for Chase Bank and The Dun & Bradstreet Corp. (NYSE: DNB).

<http://www.franchisingventures.com>