
Jaime: Welcome to *Eventual Millionaire*. I am Jaime Masters, and today on the show, we have Erik Van Horn. You can check him out at franchisesecrets.com, and he told me I was allowed to grill him today all about Franchise because he's the man – no, he didn't say that part. Thanks so much for coming on the show today.

Erik: Thank you. I'm excited to be here – with that introduction, I don't know. We'll see where this goes.

Jaime: So, the reason why I say that is I go back and forth. I know people who have done franchises and have done such an amazing job, and then there's the other side of people who are like, "Oh, but why don't I just start it myself?" Because there's issues on both sides. No business is perfect in any way. I would love to hear your history with franchises first, and then we'll dive in deep.

Erik: I can't wait to go into that question because I love that question, but my history – I first started in franchising when I was in my 20s. I had started – I quit law school. I was registered for law school, and realized as a C student, I probably did not want to go through that hard time, and so, I quit law school, I started a lawn company, and I was getting my real estate license at the same time. I was planting flowers for an older lady, and she came out and said, "Erik, it's hot outside. Here's a glass of water. What do you wanna do when you grow up?"

I said I wanted to be a real estate investor, and she said, "Oh, that's funny. We did that 20 years ago, and we bought a condo down by the ocean. That was in Virginia Beach." I said, "Well, tell me more." She said, "Well, we have a tenant in there now, and we just don't want to have anything to do with it anymore." "Well, what do you wanna do with it?" She said, "We wanna sell it," and I said, "Well, I'll buy it. How much do you want for it?" She said, "I just want somebody to take over my payments." I'm like, "Oh my gosh, this sounds too good to be true."

I looked at her mortgage statement because I knew enough to look at that, and it said an assumable mortgage, so I knew that I could really just assume her mortgage, but I didn't have \$5,000.00 for closing costs or whatever it was going to cost me. So, I went to my parents and I said, "Hey, do you guys want to invest in this with me? We'll be 50/50 partners, and we'll just split the deal." They said, "Erik, that sounds too good to be true." My real estate broker at the time said, "I don't know how Erik found this, but he did, and it's legit. If you guys don't do it, I'm gonna do it."

Long story short, I ended up buying that thing with my parents, and they ended up buying me out, and that's where I got my first seed money to buy my first franchise.

Jaime: Well, that is a very serendipitous story, which we'll talk about serendipity later because that's kind of insane. Most old ladies aren't like, "Have some water and buy my house," right?

Erik: I know, I know, and she was genuinely wanting to help. One of the things she said to me is, "Erik, you seem like a nice young man. I wanna help you."

Jaime: That's amazing that there are still good people – no, we know there's good people in the world, but when it sounds like it's too good to be true, unfortunately, in the internet world that we live in, usually, it is, and it's amazing to hear that it's not. There are still good people out there. So, let's dive deep. What did you actually do for that first franchise?

Erik: So, I bought a Liberty Tax Service. It was a tax franchise, and I bought it because it was low-cost at the time, and I didn't make a ton of money off of that. So, it was a low-cost one, they were growing at the time, and I had some friends that were looking at it. And, I met the founder, I liked him, I wanted to be around a company that had young people in it too, and that was that company.

So, I started my first year – I started in Kansas City, and I finished in the top 10 that year, and I realized that I wasn't – because I'd never done taxes before. I still have never done taxes, accounting, or anything like that. It was a marketing business. So, I realized business wasn't always what I appeared to be. So, I was in the tax business; people thought I was a tax guy, but I was a sales and marketing guy, and that's really – the most successful franchisees in that system were not CPAs, they were not accountants, they were operations or sales and marketing people.

Jaime: So, this is where we start to dive a little deeper because it is funny that you went from law to tax, but you didn't even have to do any of the tax stuff – it sounds really boring if you did. It actually would get you more stuck into the weeds if you were, right?

Erik: That's exactly it.

Jaime: And, this is the hang-up with the franchise piece in general anyway, because I feel like the people that buy franchises are the ones that want the sales and marketing already figured out and done – they’re the people that just wanna be like, “Oh, I want somebody else to have figured that piece out” instead of them doing it. What are your thoughts on all that?

Erik: Well, there’s different ones – different franchises have different things that are built out for you. So, I wanna be in a franchise that has a lot of systems and processes; that way, I – today, I want a franchise that I can put a manager in place, and they can execute the system. I don’t want to have to do any of that. So, if they’ve got the sales and marketing figured out, I want a manager that’s an operation manager. I want them to be really good at that because they can get everything else from the franchisor.

If I have someone that’s really good at sales as a business partner or a manager, or they’re good at marketing, I want the opposite for that. So, I just look at it like I want the franchise to be able to provide the system of doing business. I don’t care what the widget is. I don’t care what they’re selling or what the service is, I wanna know what they’re going to do to help me grow.

Jaime: So, it’s like puzzle pieces and we’re putting it together because some franchises are good at some – I feel like what’s so interesting – and, what I didn’t understand a long time ago and a lot of people don’t before they get into franchises – is some of them are really good at certain things, and some of them suck at certain things, right?

Erik: Yup.

Jaime: Tell me a little bit more about how you figured that stuff out.

Erik: About the sucky stuff?

Jaime: Yeah!

Erik: I’m still figuring some of this stuff out, by the way. So, I’ve owned six brands in eight different states for almost 20 years, but I am still figuring things out, and one of the things that’s just blatantly obvious to me now is a lot of these franchisors don’t have good consumer-facing sales processes; that is, the consumer comes in, and they don’t have it laid out exactly what to do to take them from the time that they walk in or you meet the customer until the sale is

closed, and even beyond that.

But, in my world of marketing, especially on online marketing – I’m sure we have a lot of the same friends – that’s what happens in that world, but in franchising, they seem to be behind in a lot of that stuff with copy, with being able to present to someone and use words that are influence and persuasion – all that stuff is really – franchising hasn’t caught up to a lot of that, so I see that as a weakness overall in franchising.

Jaime: I appreciate you saying that, too, because a lot of times, as a franchise, since you’re buying something – and, it’s usually quite a bit of money – you assume that it’s “perfect” or it’s got a lot of the bugs worked out, and when you buy any business, no matter how much money it’s making, there’s always issues no matter what. Even if you just built it from scratch, there’s issues. We can’t get around that. How do you try and decide when you’re gonna buy a franchise what those issues are in advance before you actually get into it?

Erik: This is a question that I get from people that come to me and wanna buy a franchise, and I’m helping them, and I really try to figure out what it is that they really need. But, when someone’s first buying a franchise, they need to have a blank slate in their own mind. They think they know what they want; they really don’t know what they want. A lot of people come and they think they want a Subway, and when you get into it, they want a Subway or a McDonald’s because of the brand name.

It’s not because they love working with high-turnover employees – none of them are gonna be around six months from now. They don’t love that, but they’re not thinking about that. They’re really getting into it because they want a big brand name behind them, so a lot of people get into it for comfort and just to be around a business like that.

Jaime: It has longevity, and therefore, we now have more trust because of it, but there’s still problems.

Erik: Yes, there’s still problems, and all of these brands have problems. Going back to your point, when people first get into a brand, they want it all figured out, and that’s what they think that they’re buying. Any emerging franchise out there that has less than 50 stores or locations open is emerging. They’re still figuring things out, and I’m a part of those. You just need to know what you’re

getting into.

If you're okay with that as an existing business owner, you can go into a younger system like that and typically be fine, because that's what I do. I don't mind going into an emerging brand, and I want some help and some support from them, but I don't need them to give me the entire playbook. It's people that are in corporate America that I get nervous when they go into an emerging brand and they are used to hiring C-level executives, but they're not used to hiring someone for \$15.00 an hour. That's when there's a disconnect right there.

And then, brands get – and, one of the things that's happening in today's franchise environment – they're selling out so fast, so there's very few brands that aren't emerging that are available because anything that's established – you look at the *Entrepreneur* 500, and I was just looking at that the other day. I've owned one of the top brands that was on the face of the magazine, and they were talking about how great it is, how it's emerging, how it's fast-growing.

But, I looked at that, and that was three years ago they were doing that. You can't buy that brand today. It's gone; it's sold. So, it seems like all the magazines and everything, all the lists are lagging two to three years behind, so it's really a challenge for people who want to buy the proven model – the franchisor that has it all figured out – because it's usually not available. But, I think you break people up into two different buying groups, and there are two different ways to expand. You can go into that emerging brand, and you can grow like that.

Let's say it's Orangetheory, and everybody knows who Orangetheory is, and they've had a tremendous amount of success. If you got into that early, you know the growing pains. I just got a text from a friend of mine who owns one of those, and she was sending me someone to talk to that she knows – “Hey, Erik, you should help this guy find a franchise.” But, she's in Orangetheory. I know the early stories of Orangetheory. It isn't what it was today. Today, it's just fantastic. Those things are great, and all the owners that I know are really happy with that brand.

So, people can still get into a brand late and have a growth strategy of pay more money, not getting as great of a territory, but you have to get your foot in the door. So, if you're not gonna go with an emerging brand where you buy a whole entire market – let's say

you buy Denver and you need to get into a brand. You have to go to the worst territory around you that's available, get something started, and then grow from there.

Enter the franchise, learn the model so you are actually good at doing it, and once you're good at doing that, all franchises have stores that eventually come up for sale, or people that don't open up their territories. So, that's the other way to grow if you want something that's a little bit more stable. You wanna talk to a bunch of franchisees who are actually out there doing it to find out how well they're doing. So, I see those as two different ways to grow, and I've done it both ways.

Jaime: In regards to that, I think it also matters who the person is that's buying it and what their strengths are, but if it's somebody who hasn't owned a business before, how do we find out what their strengths actually are? Do you tap into that? Like you said, the corporate people that are used to hiring, but they're not used to hiring this type. It's a totally different strength.

Erik: Yeah, and I like to – so, I need to know what their strengths are and what their weaknesses are. I get nervous if their strength is an engineer because if it's – there's not a lot of franchises for the engineer-type personality because a lot of business ownership is sales and marketing. You need to be out there. You need to be the face of the business for a time.

So, there are some businesses out there that are okay for that, but mostly, if someone has an operation background, then they are good at implementing systems and processes. They'll go to the franchisor, the franchisor will tell them what to do, and they'll do exactly what they're supposed to do. If they have the hustle, they have the sales background, or the marketing background, I know that they can get in there and make it work just by their own grit and hustle themselves, but it depends on the brand, too.

I think with a service-based brand versus a retail-based brand, the service ones, you have more control over. They're less expensive to get started. You are going out there, you're hunting for business, and you typically have someone working for you when a job is being delivered, so you're paying for labor when you are making money. In retail, you are hoping that you have great presales, you have customers coming in the door, and if you don't, you still have to pay your labor, you still have to pay your rent, utilities, everything that's involved with that.

So, I think it's a bit more of a challenge for somebody that hasn't owned a business to go into the retail sector because of the pressure of that. This is one of the things that I've seen, Jaime, as I talk to different people. I wanna know – in addition to their strengths and weaknesses – how well they can make decisions under pressure, and I see a lot of people that get into business – things will go wrong.

It's not "if," right? Things will break, things will happen, challenges will come up, and if you make a decision to pull back marketing, to pull back on having some of your key people working, then you're starting to go down this path where it's not healthy for your business. And so, I like people that can make decisions and can make decisions under pressure, and "under pressure" meaning when business isn't going as good as you had hoped it would.

Jaime: You sound like a dating coach, like you're trying to match up this person with this franchise. How do you figure out what their strengths and weaknesses are without really knowing them when they become a client?

Erik: I ask them. One of the things that I started to do on accident that I think helped me become better at this – I started asking them who they are, what life events, things that have happened in their childhood or growing up that impacted them to be who they are today.

And, I've heard it all. I've heard people coming over here as immigrants, and going from country to country before finally ending up here, and stories of how their dad worked many jobs, and just did all of this crazy stuff that we've all heard these wonderful stories. And so, then, they tell me, "Erik, I've got grit, and I've got a work ethic," and when it's anchored to that context, I know it.

So, I started to ask those questions to really understand who they are, and it's amazing. I've had people on the phone crying with me, so you really start to understand people, so I like to have that context to just ask the type of questions that I ask. But, at the end of the day, people have goals, and I want to help them reach their goal with whatever that is.

Sometimes, it's a very big goal. Sometimes, it's too big of a goal,

and I can't help them, and I'm very up front. I'm like, "You wanna do what? I can't help you. You may as well keep your corporate job and fly everywhere all the time because you're making really good money at it, but you can't do what you want to do." Some people wanna put \$100,000.00 down and make \$1 million their first year. I cannot help that person.

Jaime: Expectations are very interesting when it comes to that business.

Erik: Yeah, expectation management. But then, you've got other people that they feel bad about even making a little bit of money. They're like, "I want a business so that I can quit my job," and they're not making very much at their job, but they've saved a really good amount of money, and I know I can really help that person, so I love it when I hear expectations from people and I know that they're going to hear from franchisees how well they're actually doing, and it's going to meet the expectations or exceed the expectations of the people that I'm working with.

So, that's probably one of the most important things for me, is to know that the franchisees are actually doing out there, what the people that are working with me today are going to hear tomorrow with these different franchisees because nothing else matters. If the franchisor is selling somebody, it's gonna come out when they're talking to franchisees. So, that's a really important piece, is talking to those franchisees about this kind of stuff.

But, other than that, when they're talking to franchisees, they need to see themselves doing whatever they do. If they hate – well, here's an example: The senior care business. A lot of people want to get into the senior care business because they've experienced something in their life where they had to have that care. And so, there's an emotional connection. They wanna get in that because they wanna help people.

Some senior care franchises play on that – not all of them, but there's going to be some that might just do that, and I know the senior care business is a low-wage staffing business, so I know these different things, and if they don't want to be in the staffing business, I'm never gonna show them senior care because that's what that business is. Are there moments where you can have an impact on somebody's life? Absolutely, but if they're more impact-driven, it's amazing.

People are so used to their job being their identity, they want their

business to be their identity, where in reality, they just wanna have the freedom to do the things they want to do. And, I've helped a lot of people get into fitness over the years, and I hear stories back from these different owners, these different franchisees, and they're like, "Erik, the most unexpected thing happened last week." I'm like, "Well, what was this totally unexpected thing?" "This member came in, and they were just crying and crying, and they said, 'You changed my life. Thank you for bringing this into my town.' Erik, I got into this fitness industry not thinking I was going to be changing people's lives."

If you don't really know what the business is about, and you think you know what it's about, you're probably going to be disappointed. So, I know the inside scoop on a lot of these brands. I know what the business really is versus what it looks like from the outside, so I really try to match them accordingly.

Jaime: That makes perfect sense, and having an insider information on that is huge, instead of what the franchisor is telling you. So, what are some other success traits, or what about grit really makes a difference? Because when we start – especially when you're starting your own business or in it, it feels like there's these traits that are more potent for being somebody to be successful or not, right? Expectation management is definitely one, but grit comes up over and over. So, why is grit so important?

Erik: Because when something goes wrong, something happens, you take ownership of it, and you can just get it done. When I look at things that have happened in my businesses when things go wrong, I'm okay jumping in to get it done, or if a hire doesn't work out – and, back in the early days, I had someone hauled off to jail for theft. And so, I knew I just had to make it happen. My wife knew I had to make it happen, so I went in there and made decisions.

There have been different parts in my career owning different franchises where I've been very hands-off, but I'm always ready to go back in. Whenever I'm needed, I will go back in. I think one of the biggest things within franchising, too, is having the ability to be an entrepreneur, and think, and create, and do things on your own, and then, also, just listen and execute something that's already proven and already successful, and there's a balance between the two.

So, I see the best franchisees able to balance that, and that also goes into delegating to your employees. So, if you can be a really

effective delegator, that's the only way you can grow and scale. That's the only way you can grow from one location to two, or go from a service-based business from \$500,000.00 to \$1 million, and so on and so forth. So, I'm a huge believer – I delegate to a fault. I do it too quickly most of the time.

Jaime: Okay. This is a perfect segue into what I wanna talk about, especially because you were talking about ownership. I'm hiring right now, and somebody just started blaming their company as to why they missed the interview, and if you're already blaming – So, what hiring – because we can delegate; that's definitely in the future, but if you don't hire the right people to delegate to, it's gonna keep bouncing back to you. So, I know you have examples of being able to do this really well. What can you tell us about hiring so we actually get somebody that's really good?

Erik: So, I've hired some really good people two different ways. One, just from friends and family. They come from friends and family, people that know me and my style. It's way better. I have had a lot better success of –

Jaime: Really?

Erik: Oh, yeah. And, not necessarily a friend of a friend, but I have a great hire in one of my hire markets that I put out and I said, "Hey, I'm hiring, and I need a district operational person," and someone said, "Hey, Erik, so-and-so is looking at leaving her job because she's not able to grow beyond where she is right now," and when I did talk to this person, they said, "Erik, I need at least six or eight weeks to give my current employer time to transition," and I'm like, "That sucks for me, but awesome that they're like that."

So, it's things like that that are the opposite of what you just experienced. She wanted to help, and your person didn't wanna take ownership of it. One of my best hires was in a partnership group that I was in in Orange County, and we had gone through manager after manager because – and, it's not always their fault. Here's the thing: You have to take ownership of you as the owner doing things wrong.

So, us as the ownership group – we're all used to owning our own businesses, and now we were an ownership group, trying to give this district operational manager four different – report to four different people. We all had different ways of doing things, and that was not smart. We realized that after we burned through two

managers, and we said, “Let’s take a step back and let’s hire like we know how to hire.”

And so, we had a bunch of applications, did it the traditional way. We had interview after interview, and then just whittled it down to three different interviews where we had a dinner with their spouse, and out of that group, selected the one that we wanted to grow with, and we did, and he was a fantastic guy – he really was too good. This is a mistake that I made hiring this person that’s changed everything that I do moving forward, but he – we would say as a partnership group, “He’s so smart. He’s always going to be ahead of us in whatever he’s thinking and doing.”

And, we knew that he wanted equity, and we knew that we should give him equity, but we thought we would just buy some time and not do that right now, and then we got the phone call. He said, “I quit.” He didn’t quite say it like that, but he said, “Guys, I’ve loved it, you guys have taught me a lot, we’re one of the top-performing franchisees in this whole group,” and it was Sola Salon Studios is what we owned in Orange County. We had 12 locations there. And so, he learned on our dime, and we knew that, but he had that owner mentality because he was thinking about becoming an owner, and we didn’t give him a way to become part of our ownership group.

So, I learned a huge lesson there. A little bit of equity goes a long way. Postmortem, we would talk to him and go, “Hey, Miriko, if we would have given you equity, would you have stayed for this much?” He was like, “Yeah, I would have, guys.”

He’s a dear friend today. He’s one of the best franchisees in that group, and he’s still growing and expanding, so we fully supported him, and we had that relationship with him, and this will tell you the kind of guy that he is: He stayed with us through a year transition until we ultimately exited that business, but he still stayed on with us as he was doing his own thing. So, anyway, hiring somebody with an owner mentality – giving them a piece of equity or phantom equity – I’m a huge believer in that these days.

Jaime: How soon is soon enough on that, too? Because it’s like “Oh, I didn’t realize until it was too late.” So, what was too late, or did you have that conversation right at the very beginning?

Erik: It just depends. One of them, right now, I’m having it at the very beginning because that’s what they want, and if I know that that’s

what they want from the beginning, then you can give phantom equity tied to performance. You'll get phantom equity if you are with us once the store opens, and then, a year after it opens, and then you're vested at this if you stay with us this long, then you get X amount. So, that's a typical way we're doing it right now, and "phantom equity" meaning it's not real equity. They're not legally on the hook or liable for anything within the business, and then, they're not obligated to capital calls either. It's basically when cash flow is happening, they get a percentage of the distributions.

Jaime: Okay, great. How do you – especially for people that are newer to franchise, should they do this, especially if they're like, "I don't know when to do it"? There are just a lot more unknowns if they're not like you, who has done it a million times and knows that it's really important.

Erik: So, should somebody new to franchising do this?

Jaime: Yes, give equity right away, especially if it's their baby and they don't know if it's a great hire or not; they just don't know all the ins and outs like you do.

Erik: I think if you are from corporate America and you've never experienced that before, then you probably do not want to start diving into giving equity. You might wanna do a profit-sharing or some type of bonus structure. I think that's probably the easiest way to get into it, is bonusing off of performance, and I think a lot of people get that wrong. They bonus off something that's not tied to profit and loss.

They're just tied to revenue, and so, that way, it's always easy to increase revenue – it could be easy to increase revenue, but if that's the only goal, then that could come at a cost, right? Whatever the marketing expenses are or whatnot. So, that's definitely – I would start walking before you run, and that's different bonus structures and things like that, and that's just good to have in general.

Jaime: That's great. I appreciate that. I don't want everybody running out there like, "I'm giving phantom equity to all the people!"

Erik: No, that's an incredible point, because you don't wanna do anything before you're ready to do it, and before you've learned it, and if you are in a franchise organization, talk to the people that are better than you, that are ahead of you, to see how they're doing

it, how they're doing it with their people that are working for them right now, and it may or may not work within different structures, or there might be a better way to do it, but I'm a huge believer in talking to people that are a little bit ahead of you in success, whether that's in a franchise or outside of franchising.

Jaime: What would you do – I have a couple clients that have been in franchises, and one of them is bigger than all the rest of them, so everybody's looking to him instead of him being able get ideas otherwise, so it's sort of not untested ground, but he doesn't really have access to those mentors that would be a lot easier otherwise. What do you suggest for somebody like him?

Erik: We're breaking up a little bit. Are you getting that on your end, or is it just on my end?

Jaime: No, I heard it just fine.

Erik: Can you hear me fine?

Jaime: Yeah.

Erik: Okay, good. I just wanted to make sure that you were okay. Can you please repeat that?

Jaime: No problem. So, I have a client that's in the franchise space, but he's the bigger of the franchises, so he can't go to somebody that's a mentor because everybody's looking to him, which is tough. So, don't get me wrong – he has me, and I'm going to help him do some of the things that he – because the franchise is kind of an old-school franchise, so there's a lot of different tactics that he could try, but it sucks for him to have to go outside of the pool of all the people that know this anyway. What would you suggest for somebody that's in that situation?

Erik: Work with somebody like you.

Jaime: Well, that was a very leading question, I suppose.

Erik: You have to go – I'll set the stage. Franchisors are mostly concerned with the middle of the pack. You've got the lower performers that they're either helping exit the business or get a little bit better, but you've got the top 10% of the franchisees – the system's not really helping them out. They're not getting – if I'm right, they're not giving him the tools to manage the size of his

business today. They're not giving him the training to think differently and to go into double his business because he's the only one doing that, and they figure he's okay because he's gonna be pulling everybody else up at this level anyway.

This is super common, and I've experienced it, and a lot of my friends as top franchisees in different systems – once you've reached that point, you're kind of stuck, and you're siloed out there. What I've seen out there is franchisees are siloed to their brand. They know a lot about their brand, and even within the industry, they see everybody else as competition, so there's really not any sharing going on at industry events, so they don't know what to do unless they're smart enough to find somebody like you or me that helps them get to the next level.

I started a private Facebook group for franchisees just to help them communicate with each other and help solve problems that they all might have because there's nothing out there that I've seen like that where there's just a community of franchisees. So, I started that earlier a few months ago.

Jaime: So, send me that link later so I can send it to him, because I suggested a Mastermind group of other people that are in similar structures so they can all test marketing and not just be the one guy testing a ton of marketing tactics because that gets really expensive, too.

Erik: Out of that Facebook group, I'm probably gonna be starting a Mastermind out of that, so you're gonna have to come. I'm gonna make you commit on this podcast today.

Jaime: Smart man. You are good at this.

Erik: But, that's our world. You and I are in this Mastermind world. I'm a part of two different paid expensive Masterminds because Masterminds aren't cheap, but they're extremely valuable. There's nothing that's accelerated my business more than being a part of these paid expensive Masterminds, and I'm getting into this as the leader of Masterminds. Bedros Keuilian and I have a Mastermind for franchisors, and we are having our first event next week. And then, like I said, I'm considering starting one up in the franchisee space because it's needed. It's out there in the entrepreneurial world, in the info product, in the digital marketing world, but it's not in the franchise world, and I see a huge need for it.

Jaime: And, it's so interesting to me because it seems like we just lean on the franchisor so much in the franchise space, and that's why it's not prevalent, but in regular business, we're grasping at straws, going, "Somebody help me, please," whereas the other people are just looking towards that, so it's awesome that you can create that, and kind of sad that you have to because the franchisors are supposed to be helping, even the top guys.

Erik: I know. They're supposed to do that. And, I'm starting my own franchise in the roofing space as a franchisor, and it's one of the things that we are cultivating – that we will be cultivating. We're not selling it yet, but we will be cultivating the top franchisees getting together. I know Bedros is good at this with the top franchisees in his franchise. He gets them together and learns, and that's really where the magic happens, is when you pull together the top performers and the franchisor is not just telling them what to do, but actually listening. Like I said, that's where the magic happens. Sadly, too many franchisors don't do that.

Jaime: See, now, I wanna talk about this because you're really good at these segues and what I already have on my list, just so you know. So, becoming a franchisor – especially if you already have a business that's doing well and it can be franchiseable – what are you looking for, and I know this is a huge, long potential conversation, but what do you do when you go, "I'm gonna be a franchisor in the roofing space"?

Erik: So, a lot of people have a business – and, this is definitely not mostly in the roofing space, but people have a sexy, cool business, and they get people saying, "Hey, is this a franchise?", and they think, "I should probably franchise this." So, my advice to a lot of people is don't franchise. If you enjoy your business today, and it provides you a really good lifestyle, and you're having a great time and making really good money, could you franchise it, and could it sell, and could it be successful? I'm sure it could be.

But, you go from being a successful business owner with an incredible lifestyle to starting a franchise where you're not in that business anymore. You're in the business of helping people get into business, and it's completely different, and I did this as a master franchisee in Austin. I bought this region of Austin, Texas when I had four stores of Liberty Tax, and I sold it when we had 42. People never appreciated what I gave to them, how I helped them, what I did for them until I was gone, and then they said, "Eric, I can't believe – the support I'm getting now isn't what you

used to give,” and I knew that.

So, franchisors are punching bags. You’re never going to live up to the franchisee’s expectation, and there’s a lot of bad things about being a franchisor, but on the flip side, it can be very lucrative, and you can help a lot of people, and both of those reasons are why I wanna get into that side, because I can create processes and systems for my 12 Sola Salons or whatever it is. I can do some marketing things for that, and it will impact 12 locations, but that’s all it will impact unless I share it with other people.

If I’m at the franchisor level, I can get in my zone of genius and help that franchisor and move the needle for a lot of people. And so, I’m excited to get into the business because I can help a lot of people, and I want to just build something bigger. So, that’s the reason I wanted to get in on the franchisor side, and I’m not just doing it by myself, either, because I think franchisors that are really good in their industry or whatever that is – if they don’t have franchising experience, they limit themselves. It’s just the one thing that they don’t have that does not set them up for the success the best way.

So, in this partnership, I have someone with industry experience in the roofing space, franchisor experience – because he’s an experienced, successful franchisor – and then, me and another guy who have franchisee experience – a lot of it – and franchise sales experience, and then, marketing and sales as well. So, with all of that, I think the franchisor is going to be a really strong one.

Jaime: That’s awesome. We totally talked about being a punching bag for them already, so we’re like, “And they suck,” and you’re like, “Yeah, great, totally wanna jump into that.”

Erik: Franchisors are really never happy with franchisees, either. They’re never really doing enough. We’re never getting appreciated – but, I tell you what, when I was an area developer, I loved – and, that was a good system because we’re always trying to take care of our top performers, and point them out, and learn from them, so I think the best franchisors are going to do that.

And then, at some point, like Cameron Herold – I had him on my podcast, and he’s been in franchising forever, and helps a ton of COOs, but there’s a phase that franchisees go through, and at the end of the day, there’s a “we” mentality. We’re in business together, and we’re moving forward together, but there’s definitely

ups and downs and peaks and valleys until the franchisee and franchisor get to that place.

Jaime: Definitely. How did you find your partners? That's the other piece that's like – Is it just like hiring, but almost crazier because you're partnering? Again, you're a dating coach and a marriage coach too, so how do you find your partners?

Erik: One of the partners raised my – my parents. They raised me, and they said, "We will never get into business with Erik," and then I brought them the deal of a lifetime, and that turned out really well in that first real estate deal, and so, we ended up partnering together on a couple businesses, and after a year or two of that, then I was doing my own, and then we'd do some together. So, that was the first partnership that I had, and there was real hesitancy with that on their part to do that with me.

Jaime: I bet!

Erik: Yeah, but it worked out really well, and it was interesting because I was young at that time, but there's still a mutual respect from both sides, and I think from me as a young entrepreneur, I had a lot of respect for them, and I learned from them – even though I thought I knew better in many ways, I was still smart enough just to listen.

And then, my first partners after them were people that I grew up in this first franchise with. I saw how they performed, I saw how they treated their employees, I saw how they treated their friends, and I just saw how they were in business, and I wasn't right with everybody 100% of the time, and I've had some things that I've learned over the years, like trust. Trust is a huge thing.

And then, here's probably the biggest thing, and something that I ask for people before we get into partnerships. Us partners need to look at the company as we're the board of advisors advising that company. Take all emotion out of it, look at that company, and decide what's best for the company. Is it best to hire somebody, or fire somebody, or to expand, or to contract, meaning sell some of them or sell all of it? We need to do what's best for the company, not what's best for me personally right now in my life in relation to the company. And so, I think if the partners can agree to do that, it really is a good thing for the partnership, and everybody can move forward.

Jaime: Easier said than done in reality, though. At the beginning,

everyone agrees to that. It's very different than when you're dealing with stuff.

Erik: For sure. It's very much easier said than done. I've done it, but that took a – when we sold Sola, it was a year, and we ended up selling to private equity, but it was a lot of conversation – heated conversation, at times – with the partners, but we're all friends today. But, we had things in the contract, too, to help things forward to be the guide, and I think that helped preserve some friendships, too, because we just fall back on the contract. Sometimes I was on the winning side of that, sometimes I was on the losing side of that.

Jaime: That's really awesome, and a higher level of thinking that some people can do, especially because you're seasoned business owners. You've been through a lot. You've got a lot of wisdom from experience as you went through also, right? Which we're all gleaning from you, and if someone hires you, hopefully they can glean that from you and not make as many mistakes because it's painful to make mistakes as a business owner.

Erik: It is, extremely. I'm still making them. I'm still making mistakes.

Jaime: Darn it, why can't we all just be perfect? I mean, we are, and all, but – So, I know we have to start wrapping up. I know you have to get back to –

Erik: You and I are, on this podcast.

Jaime: Perfect. Always. So, what is one action listeners can take this week to help move them forward towards their goal of \$1 million?

Erik: It goes back to that key employee. I would go evaluate that key person and make sure that your goals align with their goals. Where are they wanting to go, who are they wanting to be? Does it line up with where they can go within your organization? If you can't take them where they need to go within your organization, they will probably be gone at some point, and if you can get them where they want to go, then really get that – lay out the path for them, whether it's financial, or just freedom for them, or some type of ownership structure, or whatever it is that they want, just make sure that those goals align, because you don't want to lose your best people.

Jaime: Totally, and if you don't know what your best people want, please

ask them. Ask them. It's so important.

Erik: It's not rocket science, is it?

Jaime: No, but we're busy as business owners, and priorities get skewed when we're dealing with a bunch of things, so I so appreciate this. Make sure everybody listens to what he says today to prevent future pain. Thank you so much for coming on the show today. Where can they find out a lot more about you online?

Erik: Franchisesecrets.com.

Jaime: Perfect. Thanks so much for coming on the show today. I appreciate it.

Erik: Thanks, Jaime. It was a lot of fun.

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Duration: 42 minutes