

TESTIMONY OF WADE FRANKLIN

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Before the

U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS

“Military to Entrepreneurship: Private Sector Initiatives to Help Veterans Pursue Business Opportunities”

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Chairman Graves, Ranking Member Velásquez, and members of the Committee, thank you for inviting me to testify today on ways that the private sector can assist veterans in pursuing business ownership and other opportunities. My name is Wade Franklin, and I am the owner of a franchise of The UPS Store in Arlington, Virginia and a veteran of the United States Navy. I appear before you today on behalf of the International Franchise Association. I operate my store seven days a week, and I currently have three employees

Franchising is a large community of diverse business concepts that all grow and operate using the franchise business model. In this model, entrepreneurs open their own businesses and purchase the rights to operate their business using the trademarks, products, and business strategies of a proven franchise system. Franchise businesses are very common in the restaurant and hospitality space, but franchising is also popular in business services, personal services, retail, and automotive.

With nearly one million veterans transitioning out of military service over the next five years, it is more important than ever that we help veterans re-integrate into the civilian economy. Our service men and women are looking forward to rejoining their families, going back to school, or starting their own businesses. It is both an economic necessity and a moral obligation for our country to facilitate this transition.

From Honor to Owner

I left the Navy in February of 2012, and was looking for employment opportunities during the previous fall. The most prevalent prospects were corporate management jobs that many former junior officers are drawn to. I saw many of my friends take jobs in various corporations, but I did not necessarily want to go down that path. However, I also was not sure where else to look. The idea of working for myself seemed appealing, but I did not know how to get the ball rolling on starting a business, and I did not have an original idea or product to form a business around. While searching for veteran opportunities, I came across VetFran, the International Franchise Association's veterans transition program, and saw the financial incentives that hundreds of franchise systems offered to veterans who opened franchise businesses. One of the franchises that most appealed to me was The UPS Store, who also offered to waive their \$30,000 franchise fee for the first ten veterans approved as franchise owners in 2012. In addition to their generous financial incentive for veteran franchise owners, The UPS Store also partners with the USO, IFA, and Georgetown University to offer the Small Business and Franchise Management program to educate franchise executives and owners on franchising. Needless to say, a brand with an excellent reputation that was so actively recruiting veterans as franchise owners was obviously an appealing choice. I applied to become a franchise owner of a The UPS Store in January 2012 and was approved for a franchise the next month. I was one of the ten veterans that had their initial franchise fee waived.

There are obvious challenges to jumping straight into running a business without prior business experience, which few average veterans have. I went to the Naval Academy out of high school and spent seven years in the Navy after. My education and employment in the Navy was not focused on being a future business owner, and there should be no expectation that the military prepare future veterans to own a business. Opening a business is a unique challenge, and even more so for

transitioning veterans. The military does a terrific job of supporting us while serving, but the enormous risk of opening a business in civilian life while leaving behind many of the resources previously provided by the military can be daunting, especially when there is such a large financial risk involved. To that end, private sector programs such as the International Franchise Association's VetFran program can be extremely beneficial in filling the support gap that often exists for veterans once they exit the military. For me, opening a business was not just a choice of which brand or business line appealed most to me. The most important part of the decision was assessing the financial resources available to me, and allocating those resources as best I could. That was, and remains, the most difficult obstacle for me to overcome in becoming a business owner.

Veterans and Franchising - A Good Fit

Franchise systems have complex yet effective operations guidelines, and the franchise owners that can best execute the system are the owners who can realize the most success in their businesses. Many of the qualities that make successful franchise business owners are found in our nation's service men and women, while the training techniques used in the military provide a significant skill set that is especially valuable in franchise owners. The attention to detail, situational awareness, and communications skills I learned in the Navy also translate very well to business ownership, and I don't think I could have learned those skills better in any other environment. Above all else, veterans possess the leadership skills necessary to run a successful small business, and to persevere through tough times to keep that business running. For these obvious reasons, franchise companies actively recruit veterans as franchisees, knowing that veteran-owned franchises tend to out-perform other locations.

VetFran

Recognizing that franchising is a great fit for entrepreneurial veterans, the International Franchise Association launched the Veterans Franchising Initiative, or VetFran, in 1991 in an effort led by Don

Dwyer, a United States Air Force veteran and founder of The Dwyer Group, a family of franchise brands. The initiative was launched to support veterans returning from the Gulf War in their transition to the civilian economy. VetFran is an industry-wide initiative to encourage franchise companies to both hire veterans as team members and recruit them as franchise owners. As part of VetFran, franchisors offer special incentives to qualified veterans who enter into franchise agreements. Incentives range from thousands of dollars in initial inventory, special financing on equipment, or a discount on the initial franchise fee, like what The UPS Store offered me when I opened my franchise. Some franchise systems even offer one free franchise to a qualified veteran franchisee each year.

VetFran members are also able to share best practices concerning the veterans hiring initiatives within their own companies, and the IFA's online VetFran portal helps prospective veteran franchisees connect with experienced store owners who are also military veterans. Just as veteran business owners are more likely to hire fellow veterans, dozens have also volunteered their time to guide prospective owners through the complex application process as a part of VetFran's mentorship program.

A survey of VetFran members reveals that the program has achieved impressive results. In 2011, IFA launched Operation Enduring Opportunity, a campaign to hire, and recruit as business owners, 80,000 veterans, wounded warriors and their spouses through 2014. In a report on Veterans Day in 2013, a survey revealed that the franchise industry has nearly doubled its hiring target. Since 2011, over 151,000 veterans have started careers in franchising. However, we are most proud of the fact that over 5,000 veterans have been recruited as franchise owners across hundreds of franchise systems.

Unsurprisingly, the survey went further to indicate that veteran-owned franchises were more successful than other franchises, far out-pacing non-veteran-owned units in both sales and number of jobs created.

I like to think I'm smart and resourceful enough to have navigated my way through opening a business without the help of VetFran, but there's no doubt that the program was a significant catalyst in starting

my business. All franchise systems are different, each had different benefits and disadvantages and the tools and resources provided by VetFran gave me the ability to compare opportunities and decide which one was best for me. There are many places where veterans can find information on a variety of different topics, especially with the increased public awareness and attention drawn to the issue of veteran unemployment. However, there infrequently are these resources comprehensive enough to bring a prospective business owner from the beginning of the process all the way through to the end.*

Veterans Entrepreneurs Act of 2013

H.R. 3725, the Veterans Entrepreneurs Act of 2013, was introduced last year to assist veterans in opening franchise small businesses. It would provide a tax credit to qualified veteran franchise owners, worth up to 25 percent of the initial franchise fee, capped at \$400,000. In addition to the real estate, equipment and inventory necessary to open a franchise, the initial franchise fee is a significant investment, and remains a barrier to opening a franchise. I would not have been approved to open a The UPS Store without the franchise fee being waived. I did not have the personal financial resources to either produce an extra \$30,000 or borrow an extra \$30,000 from a financial institution. When coupled with the incentives offered by franchise systems through the VetFran program, this tax credit will go a long way towards helping veterans open new businesses and create opportunities for both themselves and others. A similar bill, called the Help Veterans Own Franchises Act, also exists in the Senate. The franchise community already has a demonstrated record of success in implementing veterans programs, and we believe that this legislation will serve to expand on that success while providing veteran entrepreneurs with a significant financial incentive to realize the American Dream of owning and operating their own small business. I believe that this type of effort, one that can marshal the information and expertise from hundreds of businesses across many industries, is a model of a

successful toolkit to help provide business opportunities for veterans. I thank you for the opportunity to testify today, and I look forward to answering any questions you may have.