

# Ann Arbor Regional Business-To-Business

\$3 Per Copy ♦ \$30 Per Year

November 1995 ♦ Volume 15, No. 11

## Franchising Success Stories

### Ann Arbor Area Is Headquarters For Growing Franchisors

By Jeff Mortimer

Say the words "Ann Arbor" and "franchise" and the likelihood is that the next words on your lips will be "Domino's Pizza."

And no wonder. Since awarding its first franchise in 1965, owner-founder Tom Monaghan's giant company has grown to 5,300 stores in 45 countries, almost 1,000 of them outside the U.S., and continues to expand at the rate of more than 200 stores a year.

The example of its success has undoubtedly been a factor in the growth of franchising nationwide as a way of doing business, but it's also made an impression on the home folks.

"We were right here in Ann Arbor with one of the largest franchise operations around," says Derrick Oxender, whose Victory Lane Quick Oil Change has gone from one store on Packard Street in 1980 to 21 franchises today, mostly in Michigan. "We share the same attorneys, and their experience helped us out quite a bit

in getting started. Plus seeing their growth was inspiring."

Although they didn't necessarily draw their inspiration from the same source, there are several other significant franchisors, in addition to Victory Lane, that either grew up in the Ann Arbor area or decided to move here, including Molly Maid, Inc.; Cottage Inn Pizza; Little Professor Book Centers, Inc., and Children's Orchard.

Franchising is essentially a method of distributing goods that also "includes the delivery of services to the marketplace and also includes the marketing of goods and services, usually through the licensing of trademarks," according to Michael Malley, an Ann Arbor attorney who specializes in franchise law.

"Generally, a franchisee is an independent agent that acts as a franchisor's or manufacturer's licensee and, for all practical purposes, as its sales outlet to the general public," says Malley. "The franchisee does business in the name of the franchisor, using its

trademark and in the style prescribed by the franchisor."

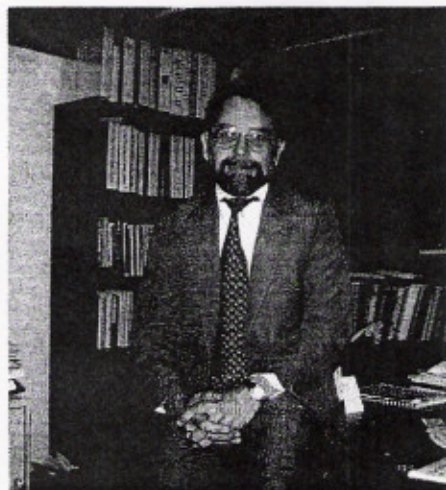
Or, as Little Professor President John Glazer puts it, "The real value that a franchise has to offer is the collective experience of all the people who have been in the business for so long."

Ironically, once an operation has grown to the

*Continued page 4*



Cathy Marks of Children's Orchard



John Glazer of Little Professor Books



Dave McKinnon of Molly Maid



Jeff Wong of Cottage Inn



Derrick Oxender of Victory Lane

# U-M Medical Center Introduces 'M-Preferred'

The University of Michigan Medical Center, in affiliation with M-CARE, its managed care organization, has introduced M-Preferred, a preferred provider organization, or PPO. M-Preferred PPO was developed to address employer concerns about controlling health care expenses while providing high-quality, cost-effective health care for members. It is the first PPO to offer extensive access to the U-M health care system.

M-Preferred gives employers, unions and insurance carriers access to U-M quality health care coverage at a fixed price per member. Employees can select any physician or hospital in the M-Preferred network to provide health care services under a benefit plan designed by their employer. Employees also have the option of going outside the network by paying more for the service. M-Preferred currently is available in 15 Michigan counties in the Ann Arbor, Detroit, Flint, Jackson and Lansing areas, with plans to expand to other markets.

"With M-Preferred, an employer will have the option of offering health care coverage to its employees through either a self-funded or underwritten PPO product, which includes a broad range of health care services—from routine visits to specialized care—at a price and quality that meet their needs," says Mary

Tobin, M-Preferred administrator at M-CARE. "The introduction of M-Preferred PPO complements the products M-Care already offers as part of its growing statewide network of managed care plans. Other M-Care products include a health maintenance organization, a point-of-service plan and a Medicaid plan.

Tobin says the majority of M-CARE's HMO providers have signed up to participate in the M-Preferred PPO network. In addition, M-CARE is negotiating with many additional providers in Wayne, Oakland and Macomb counties to ensure that members in those communities have access to a wide range of health care options.

The U-M Medical Center, located on 82 acres adjacent to the U-M, is comprised of the University's top-ranked Medical School, more than 100 outpatient clinics, some two dozen research centers and institutes, and seven nationally recognized hospitals: University Hospital, C.S. Mott Children's Hospital, Women's Hospital, Holden Perinatal Hospital, W. K. Kellogg Eye Center, Child and Adolescent Psychiatric Hospital and Adult Psychiatric Hospital.

M-CARE was introduced by the U-M in 1986 and currently offers health care to more than 80,000 members.

Continued from page 1

point where it starts franchising, its originators cease to be in the original business.

"It's a fundamental shift," says Malley. "You're no longer in the hamburger business. You're in the franchise business. Your customers — the franchisees — are the ones in the hamburger business."



Mike Malley

There are almost as many approaches to franchising as there are products and services that are franchised. Some franchisors focus on opening as many stores as possible as fast as they can, while others are more oriented toward consolidating the strengths of their existing franchises. Some set their sights nationally, or internationally, while others feel more comfortable with less geography. Some prescribe each location's operation down to the smallest detail, while others are more flexible.

But almost all would subscribe to the five keys to success identi-

fied by Dave McKinnon, president of Molly Maid:

"One: There has to be a market for the ultimate service.

Two: The way you offer it had better be better than everyone else offers it.

Three: The franchisee has to make money.

Four: The franchisor has to make money.

Five: You have to keep improving it because it changes all the time."

Implicit in much of the above is Malley's recognition that the franchisor's customers are the franchisees. The successful implementation of that concept is at the heart of the franchise businesses that are making it.

"The first key component is the relationship with the franchise owners," says John Glazer, president of Little Professor, "and the second is the ability to system-

ize and deliver the operating system. Most franchisors are of the greatest value to their owners during the startup stage. The real challenge is how to deliver ongoing value that makes people feel good about belonging to the (Little Professor) community."

Children's Orchard makes them feel good by lowering their costs. "We're the only franchise we know of that has a declining royalty structure, where the royalty actually decreases over time as the franchisee gets more experience and needs our services less," says Cathy Marks, director of training and administration. "We're not out there to set any records with sales of franchises. We're trying to make sure that every store we open is successful and well operated."

Continued next page

## 5 Keys To Franchising Success

1. There has to be a market for the ultimate service.
2. The way you offer it had better be better than everyone else offers it.
3. The franchisee has to make money.
4. The franchisor has to make money.
5. You have to keep improving it because it changes all the time.

Dave McKinnon, Molly Maid President

## The cards of choice.

You come up a winner no matter which you choose. Nobody offers Michigan business more health care coverage options, or better ones. Choice of plans, choice of doctors and hospitals, choice of coverage and choice service.

For information about coverage call one of these agents today:

■ C & M Insurance Services, Inc.  
Gary Marker • 313/994-9440  
6113 Jackson Rd., Ann Arbor, MI 48103

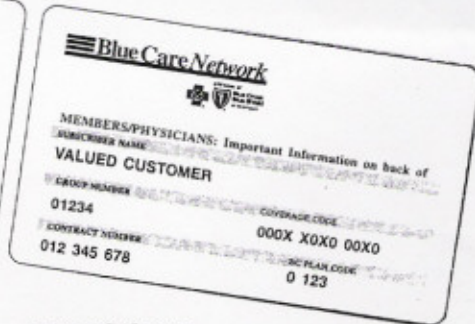
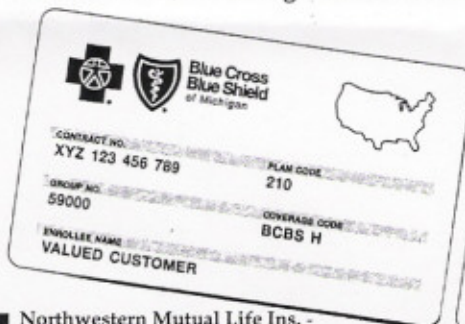
■ Dempsey Incorporated  
Michael Dempsey • 313/761-1700  
P. O. Box 1428, Ann Arbor, MI 48103

■ Dobson-McOmber Agency, Inc.  
Pat McCarroll • 313/741-0044  
P. O. Box 1348, Ann Arbor, MI 48106

■ Horizons Planning Corporation  
Joyce Willermet • 313/761-3155  
250 W. Eisenhower Pkwy., Ann Arbor, MI 48108

■ ISU/Colt Park Agency  
Jim Campbell • 313/668-6586  
P. O. Box 550, Brighton, MI 48116

■ Mundus & Mundus  
Jim Libs • 313/995-4444  
305 E. Eisenhower, Ann Arbor, MI 48108



■ Northwestern Mutual Life Ins. -  
Carol Hoffer • 313/663-9307  
124 E. Washington, Ann Arbor, MI 48107

■ Ufer & Co. Insurance Agency  
Pam Ufer Wood • 313/668-4166  
1960 S. Industrial Highway, Ann Arbor, MI 48104

■ Ann Arbor Insurance Centre  
Rebecca Johnston • 313/973-9444  
2621 Carpenter Rd., Ann Arbor, MI 48108

■ Aprill Agency, Inc.  
Ray Johnston • 313/662-4507  
703 Main Street, Ann Arbor, MI 48107

■ Benefit Source  
Tom Huntzicker • 313/994-4445  
1000 Victors Way, Ann Arbor, MI 48108

■ Business Planning Services  
Jack Munn • 313/995-1162  
2311 Shelby, Suite 201, Ann Arbor, MI 48103

■ C & F Benefits Group  
Eric Hammill • 810/553-9310  
34405 West 12 Mile Rd., Suite 259  
Farmington Hills, MI 48334

## Continued from page 4

Children's Orchard stores resell "gently used" upscale children's clothing. Founded in 1980 in Newburyport, Massachusetts, the company started franchising in 1985 and now has 53 stores nationally. It moved here when Ann Arborite Walter F. Hamilton, Jr., the current president, purchased it from founder Karen Lynch in 1993.

In that sense, it's identical to its franchisor neighbors: It's here because the CEO likes it here.

Both McKinnon and his wife are from Toronto, where Molly Maid started in 1979, but "we knew we had to be in the U.S. to give us credibility and national presence," he says. "My wife said we couldn't move more than a four-hour drive from Toronto."

Moreover, Molly Maid's first franchise was awarded in Ann Arbor and "it's a fabulous place to live and raise kids. Also, a lot of our trainees, and even prospective franchise partner like it when they travel to a place that has a destination feel, not just another city with a hotel, and there's lots to do here. It's worked out beyond our wildest dreams."

Victory Lane's Oxender is practically a native, having moved here with his graduate student (and eventually University of Michigan biochemistry professor) father when he was 2. "You can't beat Ann Arbor," he says. "It's got everything you need, so we've decided this is the headquarters."

Oxender says his "business education" was managing the original Cottage Inn on William Street in the late 1970s, another way in which pizza influenced oil changes. There are now 12 Cottage Inn franchisees in Michigan, in addition to the company-owned original location and the Cottage Inn Cafe in Ypsilanti. Nick Michos and George Petropoulos, the company's founders, served Ann Arbor's first pizza back in 1948 and still come to work every day at William Street.

"We get a lot of requests from transplanted U-M alumni who are just too far away for us to give them a franchise," says Jeff Wong, Cottage Inn's vice president. "We make our products fresh and you have to be within a 200-mile range."

Monaghan, of course, is one of Washtenaw County's most celebrated natives, so it's no surprise that Tim McIntyre, Domino's national director of public relations, is free with his praise. "It's a great community, a thriving community," he says. "It has a lot to offer, and it certainly is helpful in that this is a great community to relocate to."

Little Professor's Glazer finds Ann Arbor not only "a pretty neat place for a bookstore franchise" but also a plus when prospective, or even incumbent, franchisees come to call.

"Ann Arbor's got a very dis-

tininctiveness of the community we're promoting here," he says. "Ann Arbor has a reputation for being full of pretty smart, independent-minded people who've got more global concerns and an interest in their community, and I think we feed a little bit off of that."

The downsizing or rightsizing or fill-in-the-current-euphemism of corporate American has helped fuel the franchising boom. "The average franchise owner has had

some form of crisis," says Molly Maid's McKinnon. "Nobody buys a business just because they want to. If they're honest, they got forced into it, either rightsized into it, pensioned into it, early retired into it."

"We're eliminating jobs in our society at a macro level," says Little Professor's Glazer, "the kind of jobs that hadn't been eliminated in the past. There's a whole lot of very successful people that find themselves in the middle of

their careers with the rug pulled out from under them."

These are people with business experience, managerial experience, and, probably, a chunk of money. Just handling inquiries is a major part of the work at some franchisor headquarters. Molly Maid gets 5,000 a year, Little Professor more than 2,000, Victory Lane between 500 and 1,000. Children's Orchard recorded 1,702 inquiries in 1994. Domino's doesn't even consider an applicant

unless he or she already manages one of its stores.

And yet even the massive Domino's seeks to maintain its focus on the individual customer interaction. "We don't want you to order from a huge, multinational company," says McIntyre. "We want you from the local Domino's Pizza store because they know what your Friday night favorite is. We have to look at growing our business from both of those perspectives."

# ATTENTION UNIVERSITY OF MICHIGAN EMPLOYEES

## NEW LOWER AIRTIME RATES

*The Business Choice Rate Plan*  
Monthly Access Charge

**\$14.99\*** per month

Local Airtime Rates Per Minute

**24¢\*** peak, **14¢\*** off peak

### Includes:


- Extended Call Delivery<sup>SM</sup>
- Cellular One Voice Mail
- Call Forwarding
- Detailed Billing
- Call Waiting
- Conference Calling
- Usage fees, toll, long distance, and roaming extra




**ANN ARBOR CELLULAR INC.**  
Wireless Technologies

**CELLULARONE<sup>®</sup>**  
Platinum Agent


- EXCELLENCE IN CUSTOMER SERVICE
- EXTENSIVE COVERAGE AREA

 2803 S. State  
Ann Arbor  
313/994-4249

Hours:  
M-W-F 9:00-5:30  
T-Thurs 9:00-7:00  
Saturday 10:00-3:00

 2809 Boardwalk  
Ann Arbor  
313/995-8387

Hours:  
M-W-F 8:30-5:30  
T-Thurs 8:30-7:00  
Saturday 10:00-3:00

 2631 Plymouth Rd.  
Traver Village Shopping Ctr.  
313/994-9520

Hours:  
M-F 10:00-7:00  
Friday 10:00-5:30  
Saturday 11:00-4:00



Contact:  
Tim Edinger  
at (313) 813-5000

\*\$14.99 based on current total combined home market usage of account. Rates listed may fluctuate due to accumulative