

FRANCHISING

Virtual Copies

Take the franchise model. Add the Web. Here's what you get.

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Fast-food restaurants. Retail stores. Fitness chains. For most people, those are the images that come to mind when they think of a franchise.

It's an easy idea to grasp -- a successful business expands by granting others the right, for a fee, to open carbon-copy stores in untapped markets.

Now, a small but growing number of online companies are tailoring the concept for the Internet. Call it "virtual franchising," where Web pages substitute for physical storefronts and customers drop by using keyboards.

Though it may be less straightforward than the brick-and-mortar version, online franchising offers distinct advantages, according to some Internet-business owners who have taken the plunge. Chief among them is the elimination of frustrating, time-consuming searches for suitable commercial space. That, in turn, makes it easier to get operations off the ground.

"You eliminate a huge chunk of something that can turn the [franchising] process into a nightmare," says Dan Martin, president of the San Diego software firm IFX Online, who sits on the board of the International Franchise Association. And as more business shifts online, he adds, "I guarantee you that more people will come in with online franchise models."

Time in the Field

A number of Web consulting firms, meanwhile, say the Internet is the most efficient way to design and develop a franchise model. TruePresence, a Baltimore company that sells Internet-design and search-engine marketing services to businesses, awarded its first franchise almost two years ago, and now has 16 in locations such as Denver, Austin, Texas, and various cities along the East Coast.

TruePresence franchisees typically act as sales agents, signing up new clients and directing technology projects back to the main office for staff designers and programmers to complete. After paying an initial fee of \$35,000 for a territory, franchise owners receive Web-based training, marketing materials, business stationery and a personalized page within the TruePresence Web site. The company's online "office locator" sends local prospects directly to franchisees' Web pages; franchise owners get access to

TruePresence services at wholesale prices and then resell them to clients at the market rate.

Michael Teitelbaum, president of TruePresence, says the Web-based franchise works well because owners spend most of their time in the field and don't require a physical storefront. Franchisees enter client and prospect activity into a Web-based database, which the national office can monitor. And, "we typically get a higher-caliber individual that wants to be a franchise owner, as opposed to an employee," he says. "They have an owner's mentality -- they will do whatever it takes to get the job done."

Franchisees say the model allows them to get off to a quick start. "I didn't want to wait two to three years before starting operations and making money," says Mike Sweeney of Reston, Va., who bought into the TruePresence system in November 2006 and now sells the company's services to clients in Northern Virginia. He figures he saved a lot on overhead expenses because he didn't have to hire a technology staff or lease an office building.

Mr. Sweeney currently has about eight active clients, which he says surpassed his expectations. About half were referred to him by the main office. He plans to attend an annual conference for TruePresence franchise owners in December, where he and other franchisees can share best practices and client stories.

--Ms. DeBaise is an editor at SmartMoney.com.