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Young entrepreneurs bypass corporate rat race

Thu Aug 20, 2009 8:51am EDT

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By Deborah L. Cohen

CHICAGO (Reuters.com) - Neil Ehrlich is only 23, but already he's a budding entrepreneur.

Ehrlich owns and operates an Express Oil Change franchise in Cedar Park, Texas, a suburb of Austin. He's betting the business will weather the difficult economy, affording him and his family a prosperous future at a time when many recent college graduates are struggling to find jobs amid record-high levels of unemployment.

Still wet behind the ears, new entrants to the business world are facing a string of dead ends as they suit up to compete for slim pickings among entry-level corporate positions. Franchises offer another route.

"I'm the youngest franchisee in this chain," says Ehrlich, who graduated with a business degree from Sonoma State University in May 2008, just as the recession was kicking into full swing. "I love the challenge and I can't wait to see what happens."

Ehrlich, whose entrepreneurial bent began at the tender age of 14 when he helped start up a contracting firm, always knew he wanted his own business. He and his father, a corporate executive, spent a good part of Ehrlich's junior year in college researching franchises in the automotive service sector, including Meineke, Midas and Jiffy Lube, before making their selection.

He says they were impressed by Express Oil's commitment to supporting its operators.

"They set goals for you and they keep you on track," says Ehrlich, whose wife is a teacher. His dad put up some \$375,000 in cash to help purchase the \$1.5 million operation last December and remains a silent partner. "Everybody is there for you. It's very comforting."

Throughout the country, more twentysomethings are considering franchising as an alternative to the corporate grind or riskier notions of starting an independent business.

"Consistently year over year we're seeing a gradual increase in younger franchisees in our system," says Maribel Guiste, vice president of franchise operations for Toronto-based WSI, short for We Simplify the Internet. The company operates a global franchised network of some 1,500 one-stop-shops that provide Web consulting and development targeted at small to medium-sized companies.

In 2008, about 8 percent of WSI's operators were under the age of 30, up from just 2 percent in 2006, says Guiste, who estimates an increase to more than 12 percent this year. She says members of the so-called Generation Y and Millennial sets are particularly well-suited for the company's business model because they have grown up with a natural degree of comfort in the virtual world.

"Because we're an Internet marketing company, they get this," she says, adding that many in the age bracket are more confident and focused than their predecessors. "They're so in tune. They do it easily."

"On the flip side," says Guiste of the new breed, "I think there's a learning process that they go through in terms of how to manage their business, how to manage cash flow, how to manage their time."

CUTTING THEIR CHOPS

The time-tested operations of franchise systems seem to work in their favor. Franchises, whose corporate managers define strategic direction for all operators, foster the entrepreneurial spirit while also establishing parameters for what works and what doesn't. Those guidelines are important for those cutting their chops for the first time.

Greg Meyer, the 26-year-old owner of a CertaPro Painters franchise outside St. Louis in Kirkwood, Missouri, says such a structure helped him develop business acumen. Meyer, who has been painting homes since he was a teen, brought solid technical skills to the table, but says he lacked some of the knowledge necessary to keep a business on the growth track.

"I saw that a franchised system would fill in the missing pieces that would make me successful," says Meyer, who graduated from the University of Missouri with a degree in marketing. "It puts you in an environment around other franchisees."

Meyer has bi-weekly goal-setting meetings with a regional manager who evaluates his progress and helps to identify market opportunities. "It's really like a coach relationship," he says.

Among the biggest deterrents to young operators is start-up funding. Even for veteran operators, commercial loans remain difficult to secure as historically franchise friendly lenders such as GE Capital have raised the bar on qualifications.

Those who are able turn to family members for support. Meyer had to rely on his father for a line of credit after several banks turned him down for loans to purchase the \$60,000 operation from a retiring franchisee in February this year.

Such hurdles are one reason young operators often gravitate toward service-oriented businesses with relative low cost barriers to entry, says Blair Nicol, a franchise broker with the San Diego office of FranNet.

"They have to go for pretty affordable service-based businesses," says Nicol, adding that those businesses, which range from commercial cleaning to home-based healthcare, can be purchased for as little as \$60,000 to \$100,000 and run out of the house or a small office. Many restaurant franchises, by comparison, require outlays of \$1 million or more, and a strong record of entrepreneurship.

Ashley Bennett, a 24-year-old co-owner of a Bevinco liquor inventory control franchise in the Chicago area, was able to finance his operation by teaming up with a former college friend. At Southern Illinois University, he had majored in aviation management, but eventually scrapped plans to become a corporate pilot due to lack of opportunities. He and partner Seth Nygren scraped together \$4,000 in cash to purchase a \$40,000 franchise and were able to secure a commercial loan for the rest.

"It's been really good," says Bennett, whose business identifies opportunities to cut down on costly liquor waste in bars and restaurants. "There's just so much growth in the business we're in."

Young entrepreneurs like these say the financial risks are worth the lifestyle freedom that starting a franchise affords them.

Kariann Roach, the 23-year-old operator of a tanning salon under The Tan Company banner in the Western Illinois town of Belleville, is one of them.

She co-owns the business with her husband, Todd, who works as an assistant manager at a nearby Lowe's home improvement center. In addition to securing family loans for a \$100,000 down payment on their \$500,000 franchise, the Roaches have put personal assets such as their home up as collateral. But the mother of a six-week-old baby girl says she's not worried.

"I know for me, this is it. This is what I want to do," Roach says. Adds her husband: "She can essentially work from home for the most part and be able to manage the store without having to actually be there. It's a great thing."

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