

ARE CLEANING FRANCHISES BASED ON THE SAME PRINCIPLE AS MCDONALD'S AND DUNKIN DONUTS?

Definitely not. With a legitimate franchise the franchisee will get the goodwill of the franchisor's trademarks and trade name, expert guidance in such matters as standard operating procedures, site selection, training of employees, bookkeeping, and other managerial services. They teach the franchisee the lay out and operation of the business and the franchisee duplicates the system. Case in point - Mc Donald's or Dunkin Donuts; no matter where you go to, it's the exact same lay out and the exact same service and product. This help is particularly valuable to businesspeople with little or no prior experience.

How Cleaning Franchises Work

Cleaning Franchises have no real training program for their franchisees. They sell franchises at low cost, typically from \$3000 to \$23,000.00, and guarantee the franchisee a certain amount of gross income. Then the franchisee pays fees on top of the purchase. For Example Jani-King takes 21%, for royalty fees, insurance, accounting, and advertising fees. Then the franchisee needs to add to this number the following fees: finder's fees which are 3 times the monthly value of the customers invoice. They can pay the 3 months value up-front or clean the account for 3 months for free. Also paid for are equipment lease notes that are mandatory and necessary. Add it all up and it comes to approx. 40%.

STORY OF 3 FRANCHISE OWNERS

João Padilha had been saving money from his work as a restaurant deliveryman outside Boston when he heard a tantalizing offer to buy a cleaning franchise.

Marcos Martins, a Brazilian immigrant like Mr. Padilha, was looking to go into business.

Tri Duc Nguyen, a Vietnamese immigrant in Portland, Ore., needed a way to make money after Fujitsu closed the factory where he worked. All three men put thousands of dollars into cleaning franchises and say they were shortchanged.

As Mr. Padilha retells it, the top Boston representative of Coverall Cleaning Concepts said he could make \$3,000 a month cleaning buildings if he paid \$12,880 for a franchise. What is more, Mr. Padilha says he was told he could easily parlay his investment into a large cleaning business.

So Mr. Padilha paid the money and was assigned two women's health clinics, in Haverhill and Newburyport, Mass. He was told it would take two and a half hours a day to clean the clinics, but it took six hours, he said. Coverall also gave him two dialysis clinics, and soon he was cleaning and shuttling among clinics from 5:30 p.m. to 7 a.m. on weekdays, with six more hours on weekends. He estimated that he worked 65 hours a week and 280 hours a month. But his receipts show that Coverall, which handled payments, paid him \$1,262 a month, less than half what he says he had been promised. (if you add this up he was only making \$4.50 per hour)."I was doing all this work, but the check was for very little money," Mr. Padilha said.

So he went to the director of Coverall's Boston office to complain. "When I came in, they said I had no more work," Mr. Padilha said. "He said the supervisor of one clinic no longer wanted me. They took all my work away in one fell swoop. I

asked for my franchise money back, but they said no."

"It's sad for a man to cry, but I left that room crying," he added.

Mr. Padilha said he recouped none of his investment and soon learned that Mr. Martins had obtained the franchise to clean the dialysis clinics.

Mr. Martins said: "I asked why the person who was doing it before had discontinued the work. The field consultant told me the person had gone back to Brazil. Story from *New York Times*."



HOW DOES THIS AFFECT YOU THE CUSTOMER?

Let's consider a hypothetical situation:

There are two companies, the independently owned business and the franchiser. Both are bidding on a typical 5 day a week 2.25 hr per day office cleaning account. The independent owned company places a normal bid of \$902.00 per month for the account. The franchiser sales person bids a low ball price in order to win the account easily - \$650.00 per month. The customer, not aware of what is going on, likes the very attractive low price and decides to sign with the franchiser.

Now after signing, that contract will be sold to one of the franchisee for \$1950.00 3 times the worth of the account. They have to pay it off in 3 months; so they will actually clean that account for 3 months for free in order to pay for the new account. Now that the account is paid for, the franchiser takes 21% per month off the top for franchise fee \$136.50, plus an additional \$50 for insurance and so forth per month for each account.

So now the franchisee gets \$463.50 per month for that account. The franchiser has now made \$1893.00 on the account, plus \$186.50 per month as long as they have the account. So the head franchiser makes money on quantity and the re-selling of accounts, not quality.

What happens in almost all cases is this: the franchisee that has purchased the account starts to realize he is not making much money on the account so he calculates it to see how much he is really getting. \$463.50 per month divided into 4.333 = \$106.96 per week, divided into 5 days = \$21.39 per day, dividing that into normal cleaning time 2.25 hours = \$9.50 per hour. Now he deducts his cost for materials, equipment, etc. He realizes he is only making \$8.64 per hour. Now remember the franchisee most likely paid \$10,000.00 to be a franchisee, plus they cleaned that account for free for 3 months to end up only making \$8.64 an hour. (As the last true life story showed, this franchisee was actually fortunate since some have found themselves making less than minimum wage.)

The franchisee realizes that he is stuck - he just paid \$10,000.00 for accounts that only pay \$8.64 an hour. He can't get his money back according to the terms of the contract with the head franchise, and complaining will not produce any good results.

The Solution: He cuts back on material, supplies, etc, even dilutes all the cleaning chemicals to stretch it out, cuts the cleaning time in half say from 2.25 down to 1 hour.

The Problem: The customer has now become a victim. The cleaning supplies have been cut and the cleaning time is being cut in half, leading to very poor quality cleaning. Their visitors and employees are also complaining about the poor cleaning quality in the building. Now the customer has to complain to the head franchiser. The sales Rep promises that they will take care of it.

So they take the account away from the franchisee and re-sell it to another franchisee making another \$1950.00 on that same account. But again the new franchisee, comes to the same conclusion as the last one and they start the same process the last one did, poor quality, watered down chemicals, sometimes theft, usually it will continue until the customer has had enough and decides to switch companies. Often the head franchiser will just tell the franchisee the customer wants a change and re-sell the account even if the franchisee was doing a good job.

According to industry information, the typical legally operated independent cleaning company sees an average profit of 10% after all costs and overhead are paid. Some very large corporate operations function on as little as 3 to 5%, but these are the exception in the industry. Franchises and/ or others who operate unethically or illegally typically under price their services since they don't have to actually suffer the direct consequences of their pricing strategy - instead making their money "off the top". It's the poor franchisee or illegal subcontractor who suffers trying to make a reasonable wage from the predicament. If a franchiser has taken any where from 15 to 20% off the Top, It is most likely the franchisee would not succeed. In the end, they and the customer have become victims of the cleaning franchises.

TWO AXIOMS TO REMEMBER

- 1) If it sounds too good to be true, it's most likely not true.
- 2) You always get what you pay for.

THE TRUTH ABOUT CLEANING FRANCHISES

Don't learn the hard way

Janitorial services franchise companies, are not in the cleaning business, but rather in the business of selling franchises to would-be entrepreneurs.

This brochure will give you A Quick understanding of How Cleaning Franchise work so you can make the decision: should I hire a franchise for my company's cleaning needs or should I call an independently owned and operated contractor?