

Should You Buy a Deck Franchise?

The cost of entry can be high, but the precanned know-how might be worth the price

by Anne W. West

If you're like the deck builders I know, you thrive on creating an attractive, functional, and safe extension to the home, and your sense of accomplishment is literally driven by each fastener. So, why is your sense of frustration increasing with every foot of decking you put into place?

Maybe because you're so busy building decks, you don't have time to develop a systematic approach toward marketing, inventory, personnel management, or other day-to-day activities that are necessary to run a successful business. Or perhaps you're just tired of hauling lumber and want to move your business to another level. A franchise might offer you the structure and support you're looking for.

Franchise models range from simply the right to use a product or trade name to a more complex business format. The latter type — McDonald's, for example — is more common; here, the franchisor provides a full range of services ranging from business site selection, training, and product supply to marketing plans and assistance with obtaining financing. (For more information on the various models, try the International Franchise Association's Web site [www.franchise.org]. There you'll find a free, online course, "Franchising Basics," that provides a list of questions for investors, explains laws and regulations that apply, and describes the pros and cons of franchise formats.)

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To Increase Profits, Take Off the Toolbelt

Architect Richard Grossberg is vice chairman and founder of Richmond, Va.-based Archadeck, an international franchise specializing in custom-designed and custom-built decks, screened porches, and other outdoor living structures.

In 1980, Grossberg started a deck-building business in his basement. "Instead of providing general renovation services that required building skills and other skills such as electrical work or plumb-

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ing,” Grossman recalls, “I realized a business model structured with a very simple set of operating systems would allow me to market, sell, design, and construct decks with a fairly quick turnaround and happy customers.”

He moved his business to a business-format franchise in 1985. “People thought a franchise meant buying materials at a discount. They didn’t understand it was a business methodology,” he says. By 1995, 100 percent of Archadeck’s franchisees had business management backgrounds.

If you are more interested in the growth and profitability of your business than in physically constructing the deck, an Archadeck franchise might appeal to you. Though many of its franchisees have a construction background, Archadeck doesn’t require deck-building skills. Instead of actually building the projects, you as the franchisee would be the salesperson, production manager, and general manager for the business.

“The franchisee who still wants to wear the tool belt will end up working 3,400 hours a year and making \$50,000,” Grossberg says. He calculates that



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it's typical for only one-third of a hands-on deck builder's time to be spent actually generating income, while one-third is spent on activities like planning, meeting with customers, and obtaining building permits. The remaining one-third is what he calls "undefined time spent in the truck driving to the supplier, waiting for a delivery, or trying to find a box of nails." He adds, "Our objective is to get a person to a normal life, producing a reasonable profit, and having a plan for growth. Instead of worrying about where a box of nails is, we want them to concentrate on the performance of their staff and the happiness of their customers."

"People with a construction background ... need to become businessmen."

– Guy Pearson, Archadeck franchisee

Don't Reinvent the Wheel

On a regional level, Deckmasters Technologies has offered deck-building franchises since 1997. Certified remodeler Patrick Henry Nicholson, CEO of the Pittsburgh-based company he founded in 1978, saw the opportunity to become a franchisor when he created several satellite offices of his original enterprise.

Nicholson says new franchisees typically are well versed either in management principles or in construction. "They are looking at a franchise because their business isn't succeeding due to not having systems in place to manage and own the business," he notes. "The franchisee doesn't necessarily need to know a lot about construction but he does need to manage his own destiny with all the skills it takes to be an entrepreneur."

If you have that entrepreneurial spirit, though, a franchise may not be the right model for you: The franchisor's rules, software systems, and construc-

tion processes can feel too restrictive when you're accustomed to making all the decisions. Nicholson adds, "Entrepreneurs have a certain amount of friction because they have their own ideas. The concept of a franchise is to follow the rules and stay with a process that has been proven to work."

Logical Approach to Expansion

For Bradley Johns, owner of Ready Decks, and president of Ready Decks Franchise Systems, in West Monroe, La., the decision in late 2005 to offer franchises was a natural way to expand his company. The Ready Decks system uses four patented tools and a rapid installation process that allows the builder to provide standard products at a fixed price with a systematic approach to building the deck. Johns hopes to have had his first franchise sold by the end of 2006.

"We have a unique approach to building our decks with our tools, and we have a unique approach to marketing our decks. That's why we offer our franchisees three different levels of support," Johns says. "You have to have some wiggle room in the deck business because what works in West Monroe may not work in Portland, Ore."

This a la carte franchising allows you to select the level of support that meets your needs. Ready Deck's programs range from an entry-level building system with the company's patented tools – but no use of the Ready Deck brand – to a total turn-key business package that provides tools, training, complete marketing support, a customer call center, and other day-to-day operational support.

"We're flexible to meet the needs of the deck builder," Johns notes. "Every deck is different, so we can't tell you exactly how to build it, but we can give you tips, pointers, time-saving techniques, and tools to build your business." In addition to operations, employee, and construction guidance and manuals, those tools include an industry-specific heavy-duty trailer designed exclusively for Ready Decks, patented deck jacks, and a patented spacer tool.

The Franchisee Perspective

"When I smelled sawdust, I had to go investigate," recalls Dave Beckman, president of Archadeck of

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Hunterdon in Flemington, N.J., and a franchisee since 1989. Beckman grew up in construction and started his own deck-building business in 1986. Two years later, he sought help: “I was looking for someone to teach me some things, show me how to design, and then I’d go back on my own.”

Instead, he stayed with the franchise. “I didn’t realize all the franchise could do for me by providing construction information, software to run my business, training, and sales skills. After I’ve sold and designed the job, the franchise turns my design and notes into construction drawings that tell me exactly where to put footings, where the joists go, and beam sizes. They give me a material list to build this project, which saves me a tremendous amount of time.”

Unlike Beckman, franchisee Guy Pearson, owner and president of Archadeck of North Atlanta in Woodstock, Ga., didn’t have any knowledge of construction. The former management accountant bought his franchise in 1988. “I told Archadeck that I didn’t want to build or sell. I wanted to build an organization and produce the product. I wanted to be the corporate guy,” Pearson recalls. He now employs nine to 11 people, including a construction manager and a salesman.

A construction background isn’t a liability in Pearson’s eyes, but he says, “People with a construction background tend to hold the business very close to the chest. Instead, they have to realize they can’t do it all. They need to become businessmen.” He suggests that if you want to leverage your construction talents, hire a bookkeeper and a marketing person to take care of those aspects of the business.

Despite the examples to the contrary, most franchisees use a subcontractor to build the decks, while they concentrate on running and growing the business. Pearson, for example, has crews that have worked for him for more than 10 years.

Although franchisors don’t help you locate and hire subcontractors, they may provide interview and selection tips, tests to gauge the quality of work, and manuals for subcontractors to use. And franchisees in close geographic proximity sometimes build labor networks.

NOT QUITE READY FOR A FRANCHISE?

If you’re not willing to hang up your hammer and tool belt, as is expected of most franchisees, another option is available. Decks USA, of Boardman, Ohio, offers a contractor support program that can be appealing when you need assistance with complicated design, but you don’t want to – or don’t have the capital to – enter a full franchise.

Decks USA began in 1978 on the consumer side, selling plans and building advice to homeowners. Since 1997, it has also provided a referral service for registered contractors. This program offers complete 3-D construction drawings; detailed construction instructions; interactive software for sales, pricing, and material takeoff; custom design services; contracts for sales and subcontractors; and marketing materials.

Unlike a traditional franchise, Decks USA doesn’t provide you with advertising or a brand name. It does offer designs and construction methods when you need them, as well as deck-specific estimating software. “If you can walk the straight line, buying a franchise is a good idea, but we have a lot of cowboys out there who still want to do it their way,” says Mark Giambattista, president of Decks USA.

He also says that the company’s complete building system can help you whether you’re learning the deck business from the ground up or looking to enhance your existing business. “We draw lines for a living. Different contractors use us for different things. Some send us only their hardest designs,” Giambattista notes, adding that most of Decks USA’s certified contractors learn of the company from customers who buy a plan directly from Decks USA and then use a local contractor to build their deck. “Those contractors usually stay with us because they can use and pay for our services as they need them.”

With Decks USA’s contractor support program, you pay only for the work you need, when you need it. Fees range from \$300 to \$600, depending on the scope of the services. “Most contractors save the cost on their first or second job with us by using the plans and construction methods again,” says Giambattista, “or by coming to us in the future to save time on complicated jobs.” – A.W.

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Franchisee Benefits Change As Business Matures

Franchisees can enjoy the benefits of name recognition, marketing support, proven construction techniques, state-of-the-art computer design systems, resources for troubleshooting, and access to a network of like-minded business people. “You’re not on a site scratching your head about how to build the job you’ve just sold,” Archadeck-franchisee Beckman says. “(Being a franchise) gives us a lot of credibility because we stand behind what we do and are backed by written warranties from the franchisor.”

Franchisors provide a variety of resources to get you started and to keep you up to date, including multi-week classroom and field training on business processes and production management, and construction certification classes. “We have operations manuals on how to do everything from setting appointments and basic deck design to construction and finish techniques. We provide financial management tools to help run the busi-

ness. Plus, you can call the corporate office with your questions and get solutions,” says Deckmasters’ Nicholson, adding that the company also provides wholesale buying power for lumber from certain companies.

The franchisor also gives you a multitude of marketing tools, ranging from development of an initial marketing plan to trade show display procedures, brochures, and camera-ready advertisements that can be localized with your information.

As you acquire experience, you’ll find that the franchisor’s role in your business changes. For example, Archadeck-franchisee Pearson says at first the franchisor’s knowledge and support were critical

to his success. However, as he grew his company from \$250,000 in the first year to an estimated \$2.6 million in decks and screen porches in 2006, the benefits of networking at regional and national meetings and via e-mail became more important. “You can’t call your competitor down the street to ask him a question about your project but you can use our e-mail system and ask other franchisees who may have had the same issue,” Pearson says.

Cost of Entry Varies

Buying a traditional franchise requires an initial franchise fee, startup costs, and ongoing payment of royalties based on annual sales volumes. And even though the franchisor may back the warranty, you still must purchase insurance: It’s required in the franchise agreement. Franchisors also typically don’t provide benefits such as health insurance or retirement plans because of legal and tax rules.

Without royalties, which average 5 percent to 7 percent, the initial investment ranges from \$37,000 to \$52,000. “Some question the profitability of a franchise because they have to pay royalties. The value is in the brand, support, efficiencies, management training, and systems that help you far exceed your ability to generate a profit on your own,” says Archadeck’s Grossberg. Capital investments, such as Archadeck’s investment of more than \$1 million on its CAD system over the past six years, are another added value component.

Ready Decks is different because it does not require payment of royalties like more traditional franchises. Its three packages range in price from \$23,000 to \$35,000, with the two more inclusive packages carrying monthly fees of \$400 to \$2,500. “We’ve tried to make it cheaper to use our service and our name than if they did it on their own,” Johns says, adding that franchisees can purchase other services such as marketing brochures or advertising on an as-needed basis.

“I’ve never looked at paying a royalty as a drawback,” says Beckman. I’m confident I can build and not worry about it.” ♦

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