

**SLAKE RATTLE RATTLE SNAKE**

Meet the winners of the 35th annual Denver Post Underground Music Poll. #18, #19

**HOUSES NATHANIEL RATELIFF  
THE KNEW PAPER BIRD  
BAD WEATHER CALIFORNIA  
GIT SOME GREGORY ALAN ISAKOV  
TAUNTAUN THE HOLLYFIELDS**

Voice of the Rocky Mountain Empire

# THE SUNDAY DENVER POST

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## BUSINESS

**MAKING JOBS GROW**

Ex-Intel CEO offers strategy for U.S.



Wall Street Journal Sunday  
**BULL VS. BEAR**  
»Job market is one to watch  
»Optimism has been checked

Last Week

SHOW BIZ	108.1
RETAIL	95.0
MARKING	87.4
SALES	211.8
LABOR	104.5
INDEX	104.4
PERCENT	1.4

## Metro franchises rise as proven models hit the ground running

By Margaret Jackson *The Denver Post*

Widespread job losses combined with strong regional demographics have turned metro Denver into a popular spot for franchises.

But even though many people who've lost their jobs want to go into business for themselves, getting financing remains a challenge.

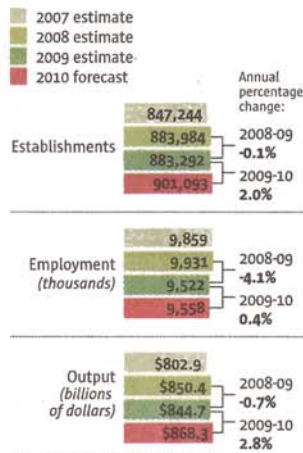
As a result, some franchise companies are making special offers to lure franchisees, and many landlords are negotiating more favorable lease rates to attract tenants.

"When the economy lags, franchising sees an increase in the number of people becoming franchisees," said Corey Bowman, vice president of franchise development for The Pita Pit, a Coeur d'Alene, Idaho-based quick-service restaurant chain that is expanding in the Denver area. "People who were working and got laid off have a sour taste in their mouths and don't want to work for somebody else."

Those buying into a franchise have the advantage

### Franchise growth

The number of franchises is expected to grow this year, after declining between 2008 and 2009.



Source: PricewaterhouseCoopers

*The Denver Post*

### Branching out

Restaurant and real estate franchises expand at a higher rate than other franchises.

#### Franchise business economic outlook, 2010

Business lines	Number of establishments	Percentage change over 2009	Employment in thousands	Percentage change over 2009	Output in billions of dollars	Percentage change over 2009
Automotive	38,340	1.8%	182	0.4%	\$36.4	2.2%
Commercial and residential services	57,007	0.3%	230	-0.9%	\$38.2	1.6%
Quick-service restaurants	192,827	3.1%	3,343	0.8%	\$203.6	3.2%
Table/Full service restaurants	48,609	1.3%	1,066	0.4%	\$64.0	2.3%
Retail food	70,722	2.2%	853	0.7%	\$67.5	3.3%
Lodging	31,827	-0.8%	627	-2.4%	\$62.7	1.0%
Real estate	41,630	3.0%	160	1.3%	\$22.8	1.4%
Retail products and services	88,312	2.1%	577	0.6%	\$50.5	3.5%
Business services	231,669	1.7%	1,420	0.1%	\$189.6	3.0%
Personal services	100,151	1.8%	1,101	0.7%	\$132.8	4.4%
<b>Total</b>	<b>901,094</b>	<b>1.0%</b>	<b>9,558</b>	<b>0.4%</b>	<b>\$868.3</b>	<b>2.8%</b>

Source: PricewaterhouseCoopers

*The Denver Post*

## FRANCHISE: Some firms are offering startup incentives

◀◀ FROM 1K

of owning their own business but doing so with a proven model that can start up quickly. In addition to the initial startup fees for opening a franchise, owners typically pay a percent of sales back to the corporate entity.

### 2 percent expansion forecast

Nationwide, the number of franchise establishments is expected to expand by 2 percent this year, according to a report by PricewaterhouseCoopers LLP. After growing by more than 40 percent between 2001 and 2008, the number of franchises declined by 0.1 percent between 2008 and 2009.

The report does not address individual markets, but many in the industry agree that Denver will attract more than its fair share of franchises. Franchises expanding here include Wall Street Deli, Aamco, Pinkberry frozen yogurt and Guier Fence. "Overall, Denver is very entrepreneurial," said Stacy Swift, owner of Denver-based FranNet Colorado, a franchise brokerage and consulting business. "Even though the economy is bad, for some reason in Denver, there seems to be some hope and some positive thinking."

QSR Magazine, which follows trends in quick-serve, fast-casual and other limited-service restaurants, identified Colorado as a market that is primed for franchise expansion based on growth in employment, income, disposable income, local gross domestic product, housing prices and population.

Franchise companies like the Denver market because of its diverse population, said Todd Owen, vice president of franchise development for Wheat Ridge-based Qjobs. All but one Qjobs store in Denver is company owned.

"Denver is a place of people from many different places who are open to newer concepts and ideas that may not have much market share," he said. "It's a less tradition-bound city."

Real estate and quick-service restaurants are expected to expand faster than other categories, each increasing its franchises by about 3 percent, according to the PricewaterhouseCoopers report.

The Pita Pit, which now has four locations along the Front Range, is among the franchise companies offering incentives to put people in business. Through the end of the year, it's reducing its franchise fee from \$25,000 to \$20,000. It also is lowering its royalty payment for the first two years the restaurant is open.

"The first couple of years are the most critical," Bowman said. "If we can offer some sort of incentive to help people get financed and help them with their cash flow, we think that's a good business move."

Franchisees are able to take advantage

of lease rates and construction costs that are lower as a result of the downturn in the economy, but it's still tough to find good deals for prime locations, Bowman said.

"Landlords are getting creative to help franchisees get into business," he said, noting that in one instance, a landlord provided \$100,000 in financing to get a tenant.

Denver landlords are probably more willing to help because their shopping centers are performing better than in other markets, said David Larson, a broker with Legend Retail Group.

"There might be a number of landlords that are willing and have the cash," he said. "There are more (tenant-improvement) dollars given in Colorado than in markets that have been hard hit and the properties aren't cash flowing."

### Not just restaurants

Denver's consistent rankings as one of the best places to live, as well as its relatively stable economy, have made it one of seven markets Wall Street Deli has identified for expansion. The restaurant chain, owned by Trufoods LLC, plans to build up to 10 new restaurants here in the next three to five years.

"It has a highly educated, white-collar workforce," Gary Occhiogrosso, Trufoods' chief development officer, said of Denver. "If good companies are setting up shop in Denver because they can at-

tract a better-educated workforce, then that's where we want to be."

It's not just restaurant franchises that are drawn to Denver. Hand & Stone, a massage and facial spa with one location

in Highlands Ranch, wants to open up to 20 stores in metro Denver over the next three years.

"A lot of the expansion has to do with real estate," said Erik Bostrom, a Hand & Stone franchisee and the company's regional developer for Colorado. "One of my high-priority areas is Cherry Creek. We can get into properties at much lower rates than we could two or three years ago. It's a great market for what we're doing."

"The down economy has been particularly beneficial to automotive-repair businesses such as Aamco, which plans to add five new locations in Denver as quickly as it can."

"We are on an aggressive-development cycle," said Tony Padulo, Aamco's vice president of franchise sales and development. "We're very bullish on the market. The down economy is good for our business because people are keeping their cars longer."

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Cindy Enright, Denver Post illustration



Aesthetician Sarah Kemp gives a facial to Avery Greene at Hand & Stone day spa in Highlands Ranch. The company wants to branch out to 20 locations in metro Denver over the next three years. John Leyba, *The Denver Post*