FINANCING

The Essential Ingredient for Quick Service Restaurant Growth and Success

Whitepaper Brought to You By Balboa Capital


The quick-service restaurant (QSR) industry in the United States is growing and highly competitive. There are close to 190,000 QSR establishments nationwide that account for more than $225 billion in annual revenue.

The improving economy and increase in consumer spending and optimism will help drive QSR sales in the months to come. With so many QSR concepts and locations in big cities and small towns alike, capturing market share can be a challenge for franchise owners.

So, just what does it take to bring success to a QSR franchise?

Obviously, it must have a sound business plan, a good location, excellent employees, and adequate financial resources. Without them, no QSR franchise can grow and prosper. This Balboa Capital whitepaper focuses on QSR financing, which is an essential ingredient for short- and long-term growth and success.

Cash is King for QSR Franchisees

It is very important for QSR franchise owners to realize how important it is to maintain an adequate amount of capital at all times. A franchise simply cannot stay in business without having enough capital to pay for the myriad operating expenses such as inventory, employee salaries, rent, business taxes, accounting fees and insurance, to name just a few.

Plan for Success

Today's most successful QSR franchisees have strong business acumen; they take the time to plan their budgets and sales goals and allocate the necessary amount of capital for their operational needs. If you own and operate a QSR franchise, a good rule of thumb is to consult with your business accountant or financial advisor to determine how much working capital you should make available at all times.

Every franchise owner has their own unique situation, and professional consultation is the best way to map out a sound financial strategy.

Knowledge is Key

Are you extremely detailed about the foods your QSR establishment prepares and serves, but relaxed when it comes to financing? Are you aware of how much revenue your restaurant needs each month in order to cover your expenses? For some franchisees, money management can be a real obstacle to running a business. Many of them have an entrepreneurial spirit and personal and professional passion for the food service industry, but lack the ability to properly manage finances.

If this is you, don't worry, as it is quite common among business owners in every industry. As mentioned above, it is a good idea to meet with your accountant to get your books in order and obtain real-world financial advice. Doing so will lessen the burden of dealing with the financial end of running a QSR franchise. In addition, it will allow you to focus your time and energy on the day-to-day responsibilities of running your franchise.

Financing a New QSR Franchise

If you are thinking about purchasing a QSR franchise, there is a lot you need to know prior to getting started. Become very familiar with the franchisor, your initial startup costs and franchise fees, and your basic overhead. Also make sure to thoroughly review the franchisor's business policies and guidelines. After putting pen to paper and becoming a franchisee, you must provide the capital necessary to start.

Franchise Investment Requirements

The franchisor you work with will have its own capital investment requirements that vary based on the restaurant and its particular location. Large nationwide chains might cost significantly more than a new or smaller chain. Prior to becoming approved by your franchisor, you will need a certain amount of liquid assets and available capital that is yours, not borrowed. However, some of your startup costs can be financed.

Financing Options

If you meet the initial investment requirements set forth by the franchisor and need financing, you have several routes to choose from. You can apply for an SBA franchise loan through your bank. Credit unions are also a good resource for franchise financing programs. The loan process is involved and requires extensive paperwork and tax-related information, so contact your bank or credit union ahead of time and ask what you will need to make the process go as smooth as possible.

Financing an Existing QSR Franchise

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Resources to Choose From

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Benefits of Equipment Financing

Franchise equipment financing is the preferred option of many QSR franchisees because it enables them to keep their establishments up-to-date with the very latest equipment, furniture and technology without having to make a large cash purchase. Similar to a franchise working capital loan, getting approval for a franchise equipment lease is easy because there are less stringent credit-score and collateral requirements.

Some of the common types of QSR equipment that can be financed include broilers, ovens, refrigerators, freezers, fryers, beverage dispensers, point-of-sale (POS) systems, furniture and fixtures.

QSR Re-Imaging and Remodeling Financing

The furniture, fixtures and equipment (FF&E) – and overall appearance – of your QSR franchise are essential to its success. Your objective as a QSR franchise owner is to increase sales and position your QSR as the preferred dining destination for prospects and repeat customers. Serving delicious food in a timely manner is just one part of the equation. You also need to provide your customers with a good brand experience each time they visit. A clean, well-appointed franchise that is equipped with the very latest FF&E can help you achieve this. That is where the re-imaging/remodeling process comes in.

Reasons for Re-Imaging/Remodeling

QSR franchisors launch re-imaging campaigns to make refreshments and/or upgrades to their stores and improve their appearance and customer experience. When the time comes for you to facilitate a re-imaging campaign, examine the various financing options that are available.

Save Cash, Preserve Credit Lines

Re-imaging costs, depending how extensive the projects(s) are, can be quite expensive, particularly if you are a multi-unit QSR franchise owner. Depending on your individual re-imaging needs, you can opt for either a franchise business loan or franchise equipment financing program, both of which can preserve your capital and credit lines.

Summary

A QSR franchise owner's basic philosophy should be to set aside profit first and make capital investments using available funds. In the event that you need to make a sizeable equipment or technology purchase, or need an influx of capital for operational needs, take the time to examine all of the financing options that are available.

Banks, credit unions and independent lenders have money to lend, so remember that you are in control and have flexibility when it comes to your financing options and term lengths. Lastly, some capital equipment expenses are deductible under the Section 179 tax code, so make sure you ask your accountant to see if your purchase qualifies.

About Balboa Capital

Balboa Capital is a technology-driven financing company that provides business owners with fast, hassle-free solutions to fuel their growth and success. The company specializes in small business loans, equipment financing, commercial financing, equipment vendor financing, and franchise financing.

Balboa Capital developed an intuitive online platform that simplifies the entire financing process. Calculators provide instant estimates, applications can be completed and submitted in a matter of minutes, and sophisticated credit scoring technology provides instant decisions Visit http://www.balboacapital.com to learn more.

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