THE WALL STREET JOURNAL. ONLINE
WSJ.com

March 17, 2008

SMALL BUSINESS

Franchising

Taking Care of Business

Why in-home health care is one of the hottest concepts in franchising today

By SIMONA COVEL
March 17, 2008; Page R9

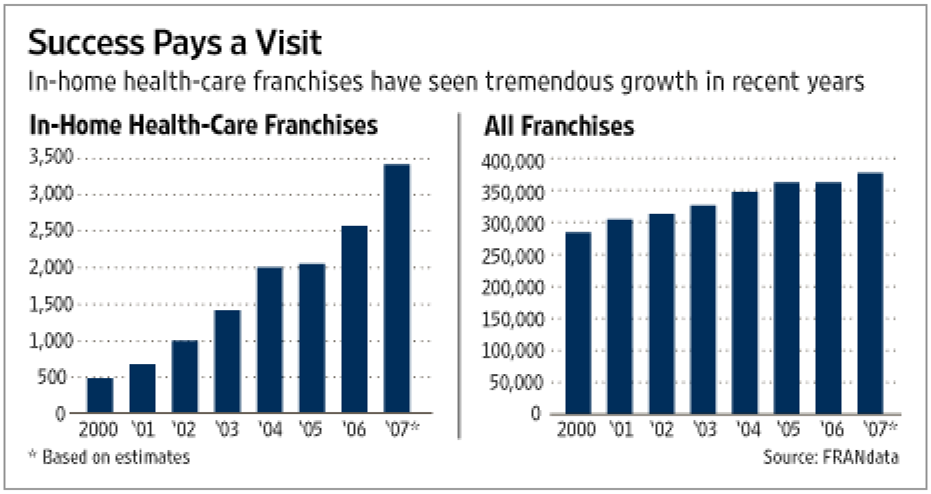
Picture a franchise and you probably don't think of a company that helps tend to the elderly and infirm. In-home care certainly is more complex than burger-flipping, and it seems like an unlikely fit for the franchise business model. But the sector has become one of franchising's fastest-growing corners.

As the elderly population explodes, families are increasingly turning to in-home care for help, experts say. Such operations provide the elderly or infirm with help running their daily lives, including bathing, cooking, light housework, running errands and sometimes dispensing medication.

And franchisers are responding to the demand. Between 2002 and 2007, the number of in-home health-care franchise concepts more than tripled to 3,400 from fewer than 1,000. At the same time, the overall number of franchise concepts increased by about 20%.

What makes in-home care fit into the franchise world? Technology and training, say franchisers and franchisees. While the product may be help and compassion -- not exactly as easy to duplicate as a Big Mac -- franchisees lean heavily on highly regimented training programs and software products that ensure all units are run the same way. And in that sense, the industry's tools aren't all that different from those at fast-food outlets.

The key to success is how employees are trained, says Brian Miller, president of Entrepreneur's Source, a Southbury, Conn., company that coaches small-business owners. And once the training regimen is figured out, he says, that's "a replicatable and duplicatable model."



While the training and technology tools are similar, in-home-care franchises do face particular challenges that set them apart from many other types of franchises. For one, finding employees who can be counted on to forge relationships with clients is more complex than hiring, say, a maid or a restaurant worker. The worker must be responsible and compassionate -- and up to the task of entering someone's home and possibly taking on very personal tasks. And while some franchisees may enter the industry because of a personal experience with an elderly or sick family member, that doesn't mean they're ready or qualified to run a health-care business.

Counting Calls

Shelly Sun and her husband, J.D., saw the potential of the in-home-care franchise concept. The couple grew frustrated with the lack of options for in-home care when Mr. Sun's grandmother became gravely ill. So shortly after her death in 2002, they gave up their day jobs -- Ms. Sun was an accountant, Mr. Sun a stock trader -- and started home-care company BrightStar Healthcare.

The Company

Shelly Sun of Brightstar at a franchisee-training session.

BrightStar's first franchise location opened in March 2006. Today, the Chicago-based company has 52 locations and 41 franchisees across the country.

Ms. Sun says one of her early key advisers was a McDonald's Corp. franchisee -- someone she thought could help with issues of operational efficiency. He helped her set up things like systemwide checklists for what franchisees needed to do each day or month for maximum performance.

Like McDonald's, Ms. Sun says, BrightStar's management team "made sure there were key metrics and accountability by week." But instead of measuring the number of hamburgers sold, the company tracks sales calls made to hospitals and nursing homes each week, seeking patient referrals.

Ms. Sun says she pored over months of data to determine that, on average, a franchisee must complete at least 125 sales calls each week to generate the right amount of continuing business.

Keeping Workers on Track

Some in-home-care companies go the franchise route, rather than trying to expand organically, because they believe local owners know the market and can forge more-effective relationships with institutions like hospitals.

The operators of Home Health Mates LLC, a recently launched franchiser based in North Brunswick, N.J., had never been involved in the franchise business before, but they thought the model made more sense than trying to open company-owned locations in far-flung locales. "It isn't selling pretzels in the mall. This is about people's lives, and you can't manage people's lives from across the country and do it right," says founder Joel Markel. If franchise owners and operators are "well-chosen...they will take care of the responsibility of maintaining quality care."

Home Health Mates, which has six company-owned locations in New Jersey, is in the process of bringing on franchisees in different areas, including one in Pennsylvania.

Mr. Markel and his nephew, Chief Executive Jonathan Herman, spent more than a year and a half developing the franchise model -- twice as long as they originally anticipated. Among the challenges: developing marketing materials and coming up with a comprehensive training program for franchisees, including customized software. They also had to ensure that franchisees hire responsible, trustworthy caretakers who won't sully the company's reputation.

BrightStar requires that each of its franchisees have a registered nurse on staff to take client calls and interview potential caretakers. In addition, most job applicants are given a personality-profile test; must submit to drug testing; and must provide reference checks going back two years.

Experts say it's such systems that ensure franchisee employees are on the right track. If an elderly client says the caretaker didn't show up on Monday, the company must know whether the client is suffering a memory lapse or the employee truly didn't show, says Marc Kiekenapp, managing partner at Franchise Outsource in Scottsdale, Ariz., which recruits franchisees.

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Comfort Keepers' Jim Booth.

At Comfort Keepers, one of the nation's largest home-health-care franchisers, caregivers use an automated time-card system. When they arrive at a client's home, they dial into the system on their cellphone. When they leave the home, they call again. "We know if someone doesn't show up almost before the senior does," says Jim Booth, president and chief executive of the Dayton, Ohio, company, which was founded in 1997 and has 550 franchise locations.

Not everyone is suited to be a franchisee, however. Both Mr. Booth and BrightStar's Ms. Sun say they've figured out that a franchisee can't just be someone who loves people and wants to help them.

After collecting data from franchisees over the course of several years, Mr. Booth says, he determined that "sales and marketing experience is the number one key factor in success" -- not health-industry experience. Applicants who seem to genuinely care about the product but aren't comfortable making sales calls to hospitals and nursing homes aren't accepted.

To better prepare candidates, Comfort Keepers has increased franchisee training to eight days with three extra days of sales training, from the previous four-day program.

Ms. Sun also has increased training -- to 13 days, from five. And before potential franchisees make the commitment, they must travel to the Chicago headquarters for a two-day "discovery" session. They go out on sales calls to get a sense of the daily grind of the business -- something potential franchisees in other industries often don't do.

"There are some who realize they can't see themselves going in and out of medical facilities," Ms. Sun says, either because they're not comfortable with the medical environment or they don't like making sales calls.

Keeping the Standard

For their part, some franchisees say it's a big benefit to have a larger company standing behind them.

Often, clients or their children will ask "how long have you been around, are you insured and bonded, how do you train," says John Lambert, who owns three Comfort Keepers locations in Texas. He directs people to Comfort Keepers' corporate Web site, where they'll see extensive information about the company's breadth and history. "For somebody to start from scratch would be extremely difficult," he says.

Perhaps most important, some franchisees say, are the technology-based systems. About two years ago, Brian Fitzpatrick started looking into the in-home-care business. Even though he didn't have any experience as a business owner -- he's a physical therapist by training, but spent nearly 20 years in a manufacturing and technology career -- Mr. Fitzpatrick wanted to get up and running quickly and not spend months researching the systems and procedures.

So he opted for a BrightStar franchise. "Do I spend a couple hundred thousand building software and hiring a team of consultants to write policies and procedures," he remembers thinking, "or do I [buy a] franchise and get that stuff on day one and pay for it in royalties?"

Among the most useful features of BrightStar's technology package, he says, are alerts that issue reports when an employee's CPR certification is close to expiring, and scheduling tools that match up available employees with clients who need their particular skill sets, such as a registered nurse or someone who speaks Spanish.

Mr. Fitzpatrick says he spent about $120,000 in the first three months, including the franchise fee and start-up capital, for his Philadelphia location. He now has two locations in the area.

Even though he knows his local market in a way the home office never could, "those standard operational functions -- scheduling, billing, payroll -- that's the reason I went with a franchise," he says. "Standardization has made us better owners."

--Ms. Covel is a staff reporter for The Wall Street Journal in South Brunswick, N.J.