

THE INDUSTRY

BY CHARLENE KOMAR-STOREY / EDITOR-IN-CHIEF

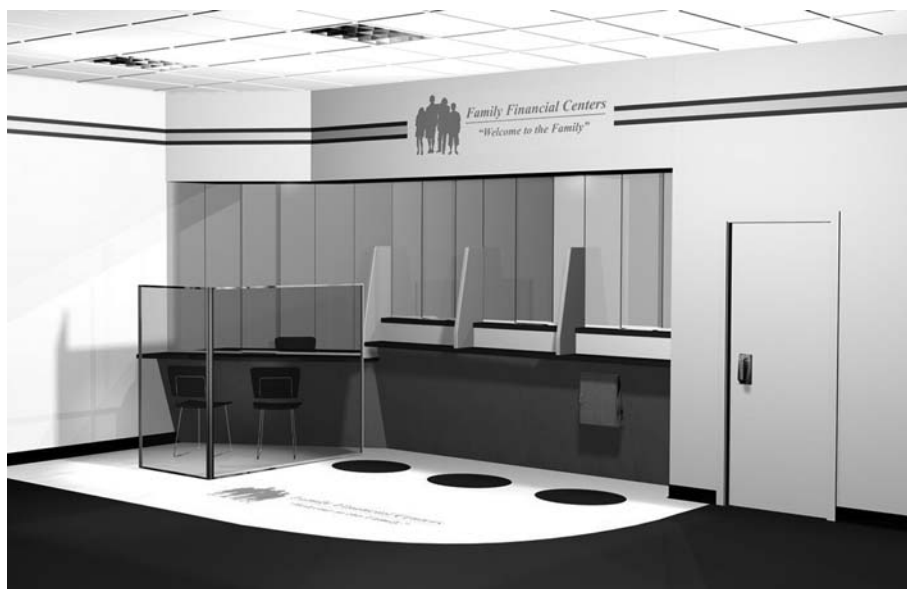
Franchisor Seeks to Cut Problems, Add Profits

An independent check casher who is running a high-volume store in a nice neighborhood may seem to be in an enviable position. But as Paul Eckert sees it, a lot of problems that didn't exist just a few years ago are turning the catbird's seat into a hot seat.

There are problems with banking relationships. More and more banks are deciding that check cashers and payday lenders just aren't worth doing business with, as government regulators pressure bankers to keep a close eye on money services businesses' operations.

And even if the bank hasn't invited the MSB owner to take his business elsewhere, there is that searching eye. Where once the check casher was able to take care of his own business, now there's a banker looking over his shoulder, asking about compliance officers, written manuals for everything from performing money transfers to personnel issues — and heaven and the government only know what will be added to the list tomorrow.

Then there's competition. Sure, it's always been around, but in the past it was other check cashers, and maybe the local grocery stores or even the bars. That's all changed.



An artist's conception of the interior of a Family Financial Center.

Now, big operations are nosing around, opening shiny new stores all too close to long-established outlets — and hiring away experienced tellers! And they're even making noises about how if check cashers don't decide to become one of their franchisees, they'll open a store right next door!

And what will the future bring? The kids aren't interested in running a check cashing operation. They've seen the hours the old man has put in, and

said, "No thanks."

What all this means to Eckert and his partner, Bruce Chamberlin, is opportunity.

Franchise Opportunities

Eckert and Chamberlin, both United Check Cashing veterans, started franchisor Family Financial Centers last October. The company is busy signing up existing check cashing operations

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as franchisees, acquiring successful check cashing and payday lending operations for sale to new franchisees, and cutting deals that will lead to opening new operations as well. It's also offering what is called Store 'N Store, a small store designed to be placed inside existing convenience stores, tax preparers and the like.

Franchising is nothing new to check cashing, but its expansion has been slower than it might appear on the surface. And the companies that come first to mind when thinking of franchisors aren't looking at the same kind of stores as Family Financial, Eckert says.

"We're not looking at low-volume stores," he stresses, and the company isn't interested in stores in what he calls "war zones," either. "We want to purchase the best stores available."

If FFC buys a store, it will put in as franchisees either owner/operators or investors who want to buy two or three stores under an absentee owner program. Eckert stresses that FFC doesn't run the stores for such franchisees, but sets everything up for them.

Eckert says its efforts are being successful. "We're doing a tremendous conversion business," he says, pointing out that the company has just converted five stores in the Philadelphia area -- one of which does \$50 million in annual volume. Eckert adds that FFC has also signed a couple of deals to help area independent operators with management.

Although Eckert says that the company will look at acquisitions anywhere, FFS is presently concentrating on Pennsylvania, New Jersey, New England and Virginia. An area developer is handling five stores in Florida, and Family Financial is considering a similar set-up in the state of Washington.

In addition, the company converted an 11-store payday lending chain in Tennessee, CheckCash USA, to the Family Financial Centers brand. And FFS has inked a deal with a Canadian

real estate developer that will allow it to open stores in new shopping centers.

He says that owner/operators who choose to become FFC franchisees to solve operating and compliance problems will find that they can do so without hurting themselves financially and, in fact, have the opportunity to make more money.

"At the end of the day, it costs them nothing because of what we are able to bring to the table," Eckert says, thanks to a modern POS system, management improvements, advertising and better deals with vendors.

Hybrid Operation

Eckert says that Family Financial Centers could be thought of as a hybrid between a check casher and a bank. Company materials describe Family Financial Centers as "the 'quantum leap' forward in the evolution of the alternative financial service center. Located in attractive suburban centers, Family Financial Centers have the systems, ambience and professionalism of a traditional bank. FFC offers a full array of financial services including check cashing, money orders, wire transfer, tax preparation services and short-term consumer loans."

The centers also will be able to offer mortgages and savings programs, and the company is considering adding legal documents.

FFC uses a POS system that has been customized to its specifications. It dovetails with the company's accounting system, eliminating double entries. "One funnels right into another," Eckert says. It operates in real-time, a plus for absentee owners. "The franchisee knows how much will be in every drawer at any given time."

And its ability to provide information will take away banks' concerns about compliance, he adds.

But Eckert says re-branding as a FFC means more than a state-of-the-art POS system.

For example, he's a strong believer

in advertising. FFC's Ohio-based design firm redesigns the store to conform to the chain's look, which Eckert describes as creating a nice atmosphere without being ostentatious and off-putting. (It also improves security, he adds, potentially cutting insurance costs.) It kicks off the advertising effort for each new franchisee with a grand re-opening (although the store is never actually closed).

"We're marketing product," Eckert stresses. Key to this is FFC's pre-paid MasterCard, which it gives away to customers, along with a number of free re-loads and usages.

"It's a customer retention device," Eckert says. "We view it as an advertising expense."

He's also a fan of direct mail, saying that FFC's system allows mailed



Paul Eckert and Bruce Chamberlin

folders to go not only to specified postal zones, but even to certain postal routes.

FFC pays attention to the little things, too, such as making sure that the types of pre-paid phone cards each store carries offer the best deals for area ethnic groups to call their countries of origin. Hiring bi-lingual tellers is another must.

All these things, Eckert says, will help add profits for franchisees.

He believes that the future of check cashing is rosy. "In every business cycle, there's a window of opportunity," Eckert says. "Since I've been in this business, it's just gotten bigger. ■