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2012 SPECIAL REPORT: Senior Care Franchises

FRANCHISES

Franchise Business Review released its first report on the senior care franchising sector two years ago. Since then, the industry has only grown in popularity—for both franchise owners and consumers. In the past two years, we’ve seen the number of senior care companies on our annual list of top franchises grow, and we’ve seen franchisee satisfaction in the sector as a whole continue to go up.

This report is designed to give you a high-level look at the senior care franchising sector. (It is important to note that by “Senior Care,” we mean franchise companies that provide home care services.) We will explore what services the sector provides, what’s involved from an investment standpoint, what the “typical” franchisee looks like, and how franchisee satisfaction in the sector has fared in the past year. We will also forecast where we think the senior care franchising sector is going, and we’ll identify the top senior care franchises based on our franchisee satisfaction research.

Who We Are
Franchise Business Review is a national market research firm that performs independent research of franchisee satisfaction. Our products include franchisee satisfaction reports, economic impact studies, and sector studies.

Methodology
To compile the data this report, we surveyed 1,348 franchisees from the senior care sector and researched more than 30 brands. We also talked to CEOs at some of the top senior care franchises for their in-the-trenches take on the industry.

To survey franchisees, we email our survey to all active operators within a system. Franchisees answer 33 benchmark questions ranking their franchise system in the areas of financial opportunity, training and support, leadership, operations and product development, core values (e.g., honesty and integrity of franchisor), general satisfaction, and the franchisee community. An additional 19 questions ask franchisees about their market area, demographics, business lifestyle, overall enjoyment running their franchise, and role in the franchisee community. From this data, we identify our list of franchises with above average satisfaction.
Models/Concepts

In the last two years, the definition of senior care and the core services provided by senior care franchises have broadened. Whereas most of the companies we talked to in 2010 provided primarily non-medical, in-home care (e.g., meal preparation, grooming, bathing, transportation, companionship) for seniors, many of the companies we talked to this year have added new services (e.g., medical care, staffing solutions, child and pet care). While the sector is still widely called “senior care,” we recognize that it encompasses much more than that. (We use the terms “senior care” and “home care” interchangeably throughout this report.)

“Maybe 6 to 8 years ago, senior care or home care was defined more narrowly as seniors but now I think we all realize that there’s a more diversified client base out there—it’s not just seniors,” said Jeff Bevis, president and CEO of FirstLight HomeCare.

FirstLight offers non-medical home care and just added dementia care to its services in response to requests from clients and family need.

Home Instead Senior Care, Franchise Business Review’s 2012 top senior care company for franchisee satisfaction, recently added an Alzheimer’s program called “CARE” (Changing Aging through Research and Education) to its model, which Global Operations COO Yoshino Nakajima says has become increasingly popular with both clients and franchisees.

BrightStar, another leader in the home care space, has offered different services beyond senior care since Shelly and JD Sun launched the business in 2002. BrightStar COO Brian Schnell says the company calls its service offering “lifecare” because their franchisees provide services to clients of any age, from child to adult.

While companies like BrightStar and FirstLight have broadened the senior
care definition to serve an expanded customer base, there are others that have stuck to the traditional senior-care-only model.

“Our care in our system is all about senior care. We don’t add in pet care, kid care—it’s senior care. That’s what we’ve been doing for 15+ years,” said Michael Newman, president and CEO of Always Best Care.

Always Best is one of only a few companies in the senior care space that offers both non-medical and medical care to its clients. However, new franchisees don’t start out offering all levels of care. Newman told us that new franchisees start out offering only non-medical and assisted living placement services, and then add skilled nursing care once they are established.

Interim Healthcare—one of the oldest companies in the home care space—has a similar model for franchisees.

“Interim has always been a full-service provider,” said president and CEO Kathleen Gilmartin. “Our franchisees are granted the rights to go up that escalator and offer that continuum, but they start at the level of personal care and support, which is really the building block of home care. This takes them to getting the first floor of the house built, and then, if they want to add on to the next level of complexity, they can.”

(Note: Interim Healthcare utilizes a customized FBR survey with its franchisees and is therefore not eligible for our annual franchisee satisfaction awards program. However, the company consistently does well in the area of franchisee satisfaction.)
Investment

From an investment perspective, owning and operating a successful senior care franchise can be very fulfilling. The median initial investment required to open a single senior care franchise office in 2012 is $66,148, and the potential return on investment is significantly higher than many other franchise businesses. It is not uncommon among the top senior care franchises to build gross revenues to a million dollars or more, with gross margins of 30%–40%. Compare that to many food and retail franchises that require an initial investment that can easily exceed $500,000 and operate with slim margins and you will quickly see what makes senior care franchises so attractive.

Senior care, like all franchising sectors, has felt the impact of the recession in terms of financing. It is much more difficult for prospective franchisees to access capital than it was five years ago, so while the return on investment might be better than other sectors, it’s no easier for a potential franchisee to borrow that initial investment. Many franchisors have made changes at the corporate level to help ease this burden.

“Home care gets into your blood. I see a real passion for the industry with all of our owners.”

Brian Petranick, Right at Home

“Although our initial investment has not changed dramatically, we are extremely mindful of the investment needed for franchisees to get beyond the initial three to six months in business and disclose in our FDD the estimated initial investment for the first year,” Schnell said.

Along these lines, BrightStar increased its net worth requirements
from $250,000 to $500,000 in 2009 and increased the required minimum credit score for potential franchisees who need to borrow money to finance their business.

From a time perspective, senior care requires a significant investment. All of the executives we spoke with said they require franchisees to focus on the business full-time from the start, and they emphasized the amount of time that must be invested early on to be successful.

“Similar to any business you would start on your own in any industry, you may work as hard as you’ve ever worked in your life,” said FirstLight’s Bevis. “I think you go into it with the understanding that you’re going to work probably 10 to 12 hour days at least five to six days a week for first four to six months.”

Lisa Ganem, a Home Instead franchisee in New Hampshire, estimates that she worked approximately 60 hours a week (both weekends and weekdays) when she started her business 10 years ago. Then, for a period of time, she says she was able to cut back, but that all changed in 2008 when the stock market crashed. Now, she’s back to 60-hour weeks, trying to mentor and cultivate her team and constantly reach out to consumers. Ganem says that although the senior care industry is somewhat recession-resistant, her client base is not. People don’t have the funds they expected to have to care for their aging loved ones, which means franchisees like Ganem must invest more time reaching out to consumers and educating them about home care.

**Pros/Cons**

The senior care sector consistently scores well on Franchise Business Review’s franchisee satisfaction surveys and that’s largely because of the “pros” that the sector provides—both in terms of lifestyle and financial rewards. Senior care is one of the few industries that combines a “feel good” service offering with attractive unit economics.

Although it is a business that requires a significant time investment, senior care does provide relative scheduling flexibility once your business is established and you have the right employees (especially managers) in place. Many franchisees are able to initially work out of a home office, which keeps the initial cash requirements low, and the senior care market is one that continues to grow and prosper despite what’s going on in the world economy. For all of these reasons and more, senior care is one of the most profitable sectors.

Financials aside, perhaps the biggest “pro” for the senior care sector is that franchisees have the opportunity to develop strong ties to their communities and their clients.

“Home care gets into your blood,” said Right at Home president and COO Brian Petranick. “I’ve been doing it for twenty years, and it is one of those professions you learn to love. I see a real passion for the industry with all of our owners.”

“I’ve probably never felt this fulfilled before,” said Home Instead franchisee...
"This isn’t like we all sing ‘Kumbaya’ every day – it’s frantic, it’s crazy...But at the end of the day, you know you have a sound business that delivers a quality service, and you respectfully make a profit on that business to be able to earn livings and employ people.” Kathleen Gilmartin, Interim Healthcare

Based on our 2012 survey, franchisees in senior care work more hours (including more nights and weekends) as compared to franchisees in other business sectors. Senior care franchisees also rated their "work-life balance" lower than franchisees in all sectors.

"No matter how technology changes, no matter how many leads are generated, at the end of the day, you have to go out there and build trust and give good service. That makes it time-intensive," said Always Best’s Newman.

At the heart of it, senior care may “feel good” but it’s not necessarily an easy business.

“This isn’t like we all sing ‘Kumbaya’ every day – it’s frantic, it’s crazy, you see circumstances that really make your heart skip a beat,” Interim’s...
Gilmartin said, “But at the end of the day, you know you have a sound business that delivers a quality service, and you respectfully make a profit on that business to be able to earn livings and employ people. It’s kind of the whole circle that makes so much sense in this business.”

**Market Analysis**

Much has been written about the promise of the senior care franchising sector since we released our last report. The population of seniors (age 65+) is expected to double in the next 25 years, according to the U.S. Census Bureau, and the average life expectancy continues to increase. When you add in the home care services segment for non-seniors (medical and non-medical services provided to clients with acute care needs, long-term health conditions, permanent disabilities, or terminal illnesses), the market opportunity increases significantly.

“There are not as many places for people to go,” said Right at Home’s Petranick, speaking about the growing need for home care services. “There are not enough beds to handle the demand. More people are going to have to get care in the home whether we want them there or not. All of the macro-environmental factors are pushing for care in the home environment.”

The home care industry is highly fragmented, with over 35 different franchise brands and many more non-franchise businesses competing for market share. We did not see as much in the way of mergers and acquisitions in the past two years as we expected, and the top franchise brands from two years ago remain largely the same today. The CEOs we interviewed predicted that any consolidations that might occur in this sector in the near term will be in the certified home care space—providers that are reimbursed through Medicare and Medicaid rather than private pay (the typical model for franchised senior care companies).

“As you look at some of the public sector companies that are in home care, they have appetite and they can get scale and leverage resources when they can see an opportunity to have some of those consolidations with smaller providers,” said Interim’s Gilmartin. “In the sector of non-medical/personal care, I think there’s still pretty much an open field for growth. I have not witnessed a lot of consolidation.”

As Right at Home’s Petranick mentioned above, we expect to continue to see new franchise start-ups entering the market and competing for demand for services. While young and unproven franchise systems present a higher investment risk to a prospective franchisee candidate, start-ups typically have the advantage of offering more flexible terms and larger protected territories to their first franchisees. Whether or not you consider a start-up in your franchise opportunity search depends greatly on your comfort with risk and your confidence in your own skills as an entrepreneur and business owner.
Franchise Attributes
The home health business is extremely people dependent—with small offices typically managing 50 or more caregivers and large offices exceeding several hundred. People researching a franchise in this space should be aware that it is a highly personal business that operates 24 hours a day, 7 days a week. Caregiver issues, service emergencies, and client deaths can be frequent occurrences.

While running a senior care business requires empathy and people management skills, it does not necessarily require healthcare experience. The executives we spoke with for this report said their franchisees have a variety of backgrounds and expertise—not always in healthcare. What successful franchisees do have, however, are strong skills in networking, marketing, and operating a business.

“...I suppose if I had to pick, I would go first with the business background and expertise, and we’ll teach franchisees the home care,” said Petranick of Right at Home. “We can teach our franchise owners in a relatively short amount of time how to operate a good quality home care business... But having that person go from a $1 million office to a $3 million office has a lot less to do with knowing home care and a lot more to do with how you execute the business model.”

Home Instead franchisee Ganem is one of those franchisees whose background helped her to be successful. Ganem, who expects to bring in about $3 million in revenues this year, is a former corporate CFO, and she says her business experience was critical to her success.

Characteristics of Senior Care Franchisees

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<th>Percentage</th>
<th>Description</th>
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<tr>
<td>76%</td>
<td>Have been in business for less than five years</td>
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<tr>
<td>57%</td>
<td>Are in big markets with a population of at least 250,000 people</td>
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<td>65%</td>
<td>Are over the age of 45</td>
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<td>86%</td>
<td>Are Caucasian</td>
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<tr>
<td>74%</td>
<td>Are female and have at least a bachelor's degree (vs. 57% in all of franchising)</td>
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“You really are starting a business as if you were putting out your own shingle,” Ganem said. “As a business person I could look at the model. I understood it from a financial perspective ... But it’s complicated. It’s not flipping burgers. Every state has different regulations, a different culture, a different community.”

One anecdotal statistic that came out of our interviews with CEOs is that, while franchisees in the senior care space don’t always have professional healthcare experience, many have had personal experience researching and accessing home care for loved ones. Brightstar’s Schnell told us that approximately 85% of their franchisees sought in-home care services for a loved one in the 24 months prior to becoming a franchisee.

It goes without saying that, apart from their personal or professional background, franchisees in any sector must be comfortable following the franchise model. “If they can follow a system, they have a skillset that says they can digest information and they can execute policies and procedures,” said Interim’s Gilmartin. “But if there’s a tendency to not want to follow a system—create everything brand new—that’s problematic.”

To ensure that prospective franchisees know what they are getting into when they buy a senior care business, Interim Healthcare and some other home care companies have made changes to their franchise sales process.

“We’ve made changes that engage our prospects a lot sooner and give them an opportunity to get to know both the sector and our brand in a way that employs technology, a lot more interaction, even meeting folks without it being a formal Discovery Day. That helps people see the real picture of what this service line looks like,” Gilmartin said.

Franchisee Satisfaction
Senior care consistently comes out as one of the top 5 sectors for franchisee satisfaction in Franchise Business Review’s annual survey. In fact, in 2012, senior care franchisees rated their satisfaction higher than the benchmark in every category of our survey: Training & Support, Franchise System, Leadership, Financial Opportunity, Core Values, and Franchise Community. Overall satisfaction in the senior care space was 11% higher than our benchmark.

Although it can be a very demanding, hands-on business, senior care franchisees appear to be very satisfied both emotionally and financially, and that satisfaction seems to only increase every year. Overall satisfaction in 2012 is up 5% from 2011.
Senior care has proven itself to be one of the strongest sectors in franchising. What two years ago may have looked like a “safe” industry in a down economy is today one of the hottest sectors, offering some of the best franchise opportunities. The demand for services will likely remain strong for many years to come.

Of course with any growing business sector, competition in this space will undoubtedly increase. Franchisees will need to work extra hard to make their business stand out among others. But with the right support people, a strong focus on delivering exceptional care, and the right franchise brand, franchisees in this sector have the potential for a very successful business.

As we caution with every franchise model in every sector: Not all franchises are created equal. Many franchise companies in this sector offer only an average or even below average investment opportunity, so it is important to do your homework, talk to current franchisees, and be sure the brand is a good fit for you.

For more information about Franchise Business Review’s research or the companies in this report, visit: www.FranchiseBusinessReview.com.

Most Popular Sectors by Franchisee Satisfaction

1. Cleaning & Maintenance
2. Fitness
3. Health & Beauty
4. Pet Services
5. Senior Care

Download detailed satisfaction reports on these senior care franchise brands at: www.FranchiseBusinessReview.com
Build a Business that MAKES A DIFFERENCE

- Fast-growing non-medical in-home care industry
- Major markets available nationwide
- Deep industry experience with track record of success
- Unmatched technology platform
- In-field support, training and tools
- Newest franchise system EVER to be ranked in Top 50 for owner satisfaction

Our Culture of Care Promise:
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