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2009 Annual Franchise Review



[Karen Lowery Hall](#)

How Do Their Gardens Grow?

Just when you thought there was very little left to consolidate in the franchise segment of the [printing](#) industry, Franchise Services buys Signal Graphics. What this means to our study is that there are now only seven systems remaining.

This year, for the first time in quite a while, we have estimated numbers for one of the franchise groups. There are no updated numbers for LAZERQUICK's 2008 performance other than what could be found on line and extrapolated from last year's figures.

Aside from those two items, the franchise segment of the quick/small commercial printing industry seems to have held fairly steady in 2008. The trend toward fewer, more profitable shops continues, as do the efforts to convert independent companies to franchise members, especially as independent owners prepare for retirement.

Flowers in the Garden

At the dawn of 2009, there were 2,931 franchise locations. That is down by 186 from the previous year, for a 6.3% loss. Be aware that these numbers reflect not only businesses that closed, but also locations that were consolidated and franchisees who left their systems to continue in business as independents.

Every system decreased its number of shops this year. Franchise Services, whose previous year numbers were adjusted to account for the Signal Graphics acquisition, declined by 86 locations. ICED decreased its numbers by 37. Allegra Network saw 31 shops fall by the wayside. CPrint's members fell by 14, which is in keeping with the way that particular franchise is structured. Minuteman Press (seven), AlphaGraphics (five), and LAZERQUICK (one) experienced single digit departures.

Minuteman, with 973 locations, remains the largest system overall. Franchise Services is the second largest, with 665 shops. And ICED has 529 shops. There are 386 locations in the Allegra Network and 259 in the AlphaGraphics system. CPrint has 101 affiliates. LAZERQUICK, the only remaining regional franchise, has 23 locations, 12 of which are owned by the parent company GISI. The only other system that still holds a corporately owned location is ICED.

Please note that if you are adding up the numbers for yourself, you will not get the same totals. Our totals take into consideration that there were five locations with combined sales of \$2,975,000 that are part of CPrint as well as their primary franchise. Those figures were backed out of the overall totals so that they would not be counted twice.

Five systems opened new locations in 2008. They were: Minuteman (40), Allegra (32), AlphaGraphics (16), CPrint (14), and Franchise Services (5).

All systems had locations that either closed, were consolidated, or left the franchise to continue their business as independents. The tally runs: Franchise Services (51), Minuteman (47), ICED (34), Allegra (33), CPrint (27), AlphaGraphics (21), and LAZERQUICK (one).

The systems that resold franchise contracts within their own systems were: Minuteman (72), Allegra (31), Franchise Services (18), AlphaGraphics (14), and ICED (five).

Of the 2,931 franchise locations, 2,341 are in North America and 590 are international. LAZERQUICK is found only in the U.S. Allegra and CPrint both have franchisees in the U.S. and Canada. Minuteman can be found in five countries and AlphaGraphics in eight. ICED has franchisees in 11 nations, and Franchise Services has affiliates in 13 spots around the world.

There are franchised [print](#) shops in all 50 states, but no one franchise is present in all of them. Minuteman has locations in 47 states, Allegra

in 45, and Franchise Services in 42. You'll find AlphaGraphics in 39 states and ICED brands in 33, but LAZERQUICK is available only in the three states along the West Coast.

Bountiful Harvest

In 2008, total system-wide sales for U.S.-based quick printing franchises were \$2,008,538,426, a decline of 3.4% on the year. Conversely, average system-wide sales were \$286,934,061; up 10.8% over the previous year. This odd quirk of the numbers is due to the fact that there are fewer systems this year.

All systems except Minuteman reported decreases in overall system-wide sales. Even with a 2.5% loss, Franchise Services led in sales with \$562,124,500. Minuteman's sales were up 1.1% to \$465 million. ICED's 8.8% drop left them with sales of \$301,729,632. AlphaGraphics cleared \$289,841,000 despite a 2.8% dip. A 3.9% loss resulted in \$274,104,000 for Allegra. CPrint had sales of \$101,464,294 after falling off by 6.6%. And based on the loss of a single location, we estimate LAZERQUICK's sales to be down 4.2% to \$17,250,000.

This year, we also asked the systems to break out their North American sales, and the total in that category was \$1,636,128,913. Since they are only located in North America, CPrint's and LAZERQUICK's system-wide totals are also their North American totals. Here are the North American sales for the systems that maintain a presence overseas: Franchise Services, \$475,930,900; Minuteman, \$400 million; Allegra, \$274,104,000; AlphaGraphics, \$243,444,000; and ICED, \$126,910,719.

Of course, the real strength of any franchise resides in the healthy sales of its members. It is encouraging to report that even in challenging times, the average sales per shop (SPS) for companies more than one year old was up 2.9% to \$685,279. Every system except Franchise Services and LAZERQUICK, which was estimated, reported an increase in sales per shop.

Two systems reported average SPS in excess of \$1 million. AlphaGraphics is still tops with SPS up 0.01% to \$1,125,829. CPrint reported a 5.99% increase for an average SPS of \$1,004,597. Franchise Services saw SPS slip by 4.43% to \$845,000. Allegra's SPS rose by 0.78% to \$771,000. ICED reported SPS of \$603,158; a 3.08% increase, which is the second best improvement in the group. And Minuteman's SPS was up by 0.91% to \$550,000.

Sowing the Seeds

Naturally, it costs a bit more to get into a franchise these days if you are building a business from the ground up. On the other hand, if an established independent [printer](#) is investigating conversion programs, that's a rose of a different color. We have not gathered data on the costs conversion entails, but plan to do so in the future.

There are two factors to consider when weighing the cost of entry to a franchise system. The first is the initial cash investment and the second is the total cost. The average start up cost is \$60,188; up 3.2% over last year. Of course, potential franchisees would also investigate royalties and compare equipment packages, among other factors. But the start up cost and total investment figures are a good place to begin.

Only two systems changed the amount of their initial start up costs. AlphaGraphics raised it by \$10,000 to \$85,000; an 11.76% increase. Minuteman posted a \$5,000 increase (9.09%) to \$55,000. The other systems maintained their up front commitment at last year's level. If you'd like to join one of the Franchise Services brands, plan to have \$150,000 on hand. Allegra's initial ante is \$90,000 and ICED's is \$72,500. If you are an independent who would like to investigate the alternative business model offered by CPrint, you'll need to pony up \$4,000. We can't say for certain whether LAZERQUICK is still actively offering franchises, but last year they listed their start up cost as \$25,000, and we have no data to contradict that.

Total investment required ranges widely from \$12,579 to \$425,991—the average is \$228,834; up 5.1% over last year. Those figures cover a vast array of differences. CPrint is at the low end, reporting a total investment ranging between \$4,000 and \$12,574. The program is only available to existing printing businesses that meet the system requirements. Since all franchise members are already in business, there is no need to factor in the cost of equipment, premises, or other start up expenses. Potential franchisees can expect a total investment of \$180,000 to join Minuteman. The investment to become part of the Allegra Network ranges between \$159,055 and \$425,991. Buying into one of the ICED brands (Kwik Kopy, Kwik Kopy Business Centers, Ink Well, Franklin's) will ultimately cost \$209,468. Sign on with one of the Franchise Services stable (Sir Speedy, PIP, Signal Graphics, Copies Now) and you'll invest \$288,000. AlphaGraphics requires a total investment of between \$280,130 and \$414,630. If LAZERQUICK is still open to new franchisees, the total investment quoted last year was \$300,000.

1 2 3 [next](#)

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