

PROFESSIONAL ATHLETES AND FRANCHISING - FOLLOWING A DIFFERENT KIND OF PLAYBOOK

The career of a professional athlete is typically short-lived—on average less than 4 years. And, while some professional athletes achieve great financial success during the term of their career, many more fail to achieve financial security during their playing days. As a result, retirement from professional sports means having to find a new source of income. So, more and more, former athletes are turning to franchising as a second career option.

According to a widely-cited *Sports Illustrated* article written in 2009, more than 60% of retired NBA players (who earned, on average, \$1.9 million during their playing days) and 78% of NFL football players (who earned, on average, \$5.5 million during their playing days) declare bankruptcy or suffer notable financial stress within 2 years of retirement. This unfortunate financial demise comes as a result of, among other things, insufficient financial advice, risky financial investments (or the lack of time or desire to monitor such investments), poor financial literacy, and sheer fraud committed against the athlete both by those within and outside of the player's circle of trust. While the figures today are likely slightly different than those discovered during the 2009 investigation, there is no doubt that the general trend has not changed.

With the right kind of guidance, retired professional athletes can overcome these daunting statistics and enjoy greater financial stability in their post-sports lives. In the past few years, franchising has become a popular post-career outlet for professional athletes—as it has become apparent that the skills of a professional athlete are uniquely aligned with those required to succeed as a franchisee.

For starters, professional athletes, by and large, have spent a career lifetime following the rules—accepting direction from a coaching staff and abiding by a playbook prescribed by others. With a franchise, the franchisee is given a game plan (i.e., the business model) created by the franchisor. Like an athlete, the franchisee must execute the agreed upon plan.

In addition, generally speaking, professional athletes are team players—accustomed to working collaboratively and in a number of different roles. Further, they are tenacious and dedicated; no professional athlete has gotten to where he or she is without a solid work ethic and years of practice and intense focus. Professional athletes are also, by definition, competitive—they want to win and be a part of the best organization. It is these sorts of innate, and learned, qualities that make professional athletes especially qualified for franchise ownership and the target of many franchise systems.

Opening a franchise under an established brand permits a professional athlete with little to no business experience the chance to piggy back off of a franchisor's goodwill and brand development, and essentially become an entrepreneur overnight. Most franchise systems—at least the ones worth investing in—help franchisees get on the fast-track to success by providing their franchisees with ample training programs and detailed operations manuals (i.e., playbooks). However, despite the preconceived notion that franchisors give their franchisees all of the tools needed to succeed, successful franchisees recognize that their ability to perform under pressure and think on their feet is key to running a successful business. Fortunately, professional athletes are well-equipped to handle the unexpected challenges and detours from the playbook that arise from time to time—a strength acquired from years of adjusting to sports plays gone wrong.

For many franchise systems, professional athletes are the prime candidate for recruitment. It is assumed—albeit incorrectly, in many cases—that a professional athlete (retired or not) is financially secure, and that he or she has (and will continue to have) the financial wherewithal to run a profitable franchised operation. Moreover, regardless of whether the athlete was the captain of the U.S.A. Men's Basketball team, an All-Star on the New York Knicks, or a bench warmer for the New York Giants, he or she was very likely the best athlete that his or her local community had ever seen—and undoubtedly has some local celebrity status. Franchising gives the retired professional athlete an opportunity to go back to his or her local community and be a star in a different capacity—and to feel a new sense of pride, that which comes with successful business ownership. Franchisors acknowledge this and recognize the competitive edge that such community associations can bring to a system.

While there are no official statistics on how many professional sports stars have found a post-sports career in franchising, there is growing evidence that athletes and franchising do mix—the list of well-known athletes that have excelled in the franchise arena is extensive.

- Denver Broncos's star, Peyton Manning, joined Papa John's pizza as the star of the Papa John's marketing campaign and now owns over 25 locations.

- Earvin “Magic” Johnson has owned numerous franchise businesses over the last few decades, investing in franchised companies such as T.G.I. Friday’s and Burger King.
- NBA All-Star, Jamal Mashburn, has invested in over 80 franchises, amassing over 40 Papa John’s, 38 Outback Steakhouses, 4 Dunkin Donuts, and two car dealerships in Kentucky.
- New Orleans Saint Quarterback, Drew Brees, recently joined Jimmy John’s as a franchisee in Louisiana and now owns over 20 stores in the New Orleans area.
- Tennis superstar, Venus Williams, teamed up with Jamba Juice and recently opened 5 stores in the Washington, D.C. area.
- A franchisee investment group led by Super Bowl champ Keyshawn Johnson, along with NFL star Reggie Bush and other elite athletes, opened numerous Panera Bread franchises along California’s central coast.
- Junior Bridgeman, a former Milwaukee Bucks star, is in the process of selling his franchised restaurant holdings, which include 240 Wendy’s locations and 120 Chili’s units in 16 states, and brings in over \$507 million in revenue per year.

The list goes on. It is important to note, however, that even though the franchise industry has proven to be a promising investment opportunity for many professional athletes, it is certainly not a guaranteed path to financial security. Because franchising is such a broad area, composed of hundreds of industries and thousands of brands, deciding on the right investment opportunity is a major undertaking. Not all franchises are right for everyone, and there are many factors that need to be taken into consideration when making the ultimate decision.

It is critical when looking to invest in a franchised business to be surrounded by the right team of professionals. Enlisting experienced attorneys, accountants, and business advisors will minimize the risk associated with the investment by ensuring that every aspect of the opportunity is fully vetted and the risks are properly identified and analyzed. In order to ensure the success of the franchise investment, the right team will help guide you through the minutiae of the franchise investment and provide the practical and essential guidance needed to carry the ball across the goal line.