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Evolution of a Franchise

Can old-style barber club make the cut?

Chris Hurn believes he has found a franchise system with the potential to be a nationwide chain. In this first installment, we meet the founders, the new owners -- plus, a glimpse at where the chain is headed.

BY JONATHAN MAZE

Editor's note: This is the first in an occasional series of stories following the purchase and re-emergence of the men's hair care franchise Carrs, The Barber Club.

It was during his regular haircut and straight-razor shave at his barber club – an appointment he usually tried to sleep through – that Chris Hurn started to really listen as his barber Judy complained about the franchisor. Hurn's antenna went up.

Hurn had spent his career working in finance, most recently as the chief executive of his own company, Mercantile Commercial Capital, but for the last few years he'd been itching to run his own franchise system. Judy's complaints gave him a window into just the opportunity he's been looking for.

Hurn loved Carrs, The Barber Club. He'd been a member for several months, and knew it was a franchise. What he didn't know, until Judy told him, was that it was in trouble.

The company was started by a British citizen who lived in Celebration, Florida, Disney's planned community outside of Orlando. Ed Magnay grew tired of not being able to get a good haircut, so he started his own barbershop. He worked with Disney, which oversees Celebration, and opened the shop in 2003.

This wasn't a typical shop. It was an old-style English barber club. Members pay a monthly fee of \$40 to \$90 to get unlimited haircuts and straight-razor shaves – you know, those straight razors now seen only in Western movies or horror flicks. Their use is rare these days thanks to the popularity of disposable razors. The 900-square-foot shop had hardwood floors and leather chairs and barbers wore vests and ties and spent as much as an hour on a single customer. It had quickly earned a reputation in the Orlando area as the best barbershop.

Eventually, Geoff Robinson, another Brit, approached Magnay about equity and franchising. They sold units quickly, and at its peak in 2006, Carrs had 15 units, mostly in Florida.

Stuart Fitton – still another Brit – was one of the company's first franchisees. Fitton's children were grown and he and his wife decided to move to Florida, where they had vacationed over the years. A comparatively easy way to get into the country was to buy a business, so they looked for a franchise and settled on Carrs. Fitton opened the shop just before Christmas in 2005, within 15 months had 350. One of them was Hurn.

Carrs' problems began shortly afterward.

Magnay had a reputation for supporting franchisees. "Ed told me, 'There's three things every franchise needs to be successful: happy franchisees, happy franchisees and happy franchisees,'" Fitton said. Then Magnay returned to Britain for personal reasons in 2006. The two owners decided to sell the franchise to a

local property developer who was looking for an alternative form of investment amid signs of a housing market collapse.

They structured a seller-financing deal, where the developer



Carrs' management team from left: Nick Nanton, CMO; J.W. Dicks, Corporate Counsel; Tony Zara, President; Chris Hurn, CEO.

(continued...)



Carrs is not a typical shop. It's an old-fashioned English barber club.

the country band Rascal Flats, operates with a casual, irreverent attitude – at least judging from his finance company newsletter, where he's appeared in photos dressed like Santa or posing in Mardi-Gras garb.

Hurn is a seasoned financier and business coach whose company, Mercantile, works with numerous franchises. Over the past couple of years, he has been increasingly drawn to the prospect of running a system himself. "If you can be the owner of a turnkey concept," he said, "the marketplace values that substantially."

He is also confident in his ability to use the strategies he employed in building a fast-growing financial company in the franchise world. Yet he needed a concept and was constantly on the lookout for one – he once unsuccessfully tried to convince one of his favorite restaurants to franchise.

The prospect of buying Carrs piqued Hurn's interest, so he talked to Fitton who put Hurn in touch with Magnay and Robinson about a rescue operation.

Hurn quickly saw possibilities. Despite its issues in the past couple of years and an almost complete lack of advertising, Carrs shops have been able to gain members thanks to strong word-of-

paid a small amount up front for a piece of equity. He was to pay the bulk of the sale price monthly over a two-year period. Three months into the deal the buyer defaulted, according to Fitton.

The franchise ground to a halt. The new owner stopped providing franchisee support, angering many owners. Four franchises closed their doors. At least one creditor took the company to court over unpaid bills. And Fitton said the developer used money from the system to pay his other liabilities.

This is what Hurn heard from his barber that day in October.

To the rescue

Hurn, who looks like a slightly more buttoned-down version of the lead singer for

mouth. The business is also recession proof, because hair doesn't stop growing when the economy is in the tank, and its customers – typically affluent folks like doctors, lawyers and executives – aren't as affected by the most severe aspects of the economic downturn.

He also understands that men are increasingly likely to spend more money on their looks than they once were. Sales of men's grooming products and services increased nearly 70 percent between 2002 and 2005, according to AC Nielsen. And yet men's piece of the \$59 billion haircutting market remains small and largely fragmented.

"Guys don't have to sit for 20 minutes in the waiting room listening to babies cry, breathing fresh perm chemicals and reading six-month-old Cosmos just so they can get their pick of which 19-year-old just out of cosmetology school they want to cut their hair," Hurn said. "And they don't have to go to a crusty old barber, worried that he's going to cut your ear off because he's getting up there in age and can't cut straight anymore."

Carrs is unique. "We are for all intents and purposes one of the first to ever franchise something like this," Hurn said. The clubs have lower overhead and virtually no inventory. A typical store has the potential to earn \$570,000 in revenue and finish with a net income of more than \$135,000, according to the franchise's projections.

Hurn worked through Stuart Fitton to buy the company. Fitton helped run the franchise after the previous buyer was declared in default. He also served as an intermediary in the U.S. for the two founders, both of whom had returned to Britain.

Hurn is buying the company's intellectual property and is forming a new company to run the franchise. He and the other partners have raised the money to create a support system, and are about to release the company's first franchise disclosure document under the new ownership.

His job now: Sell the franchise to prospective storeowners. ■

