

AHRC and Cartridge King

At a Glance

<i>Location:</i>	200 Park Avenue South New York, NY 10003
<i>Year Opened:</i>	2005
<i>Profitability:</i>	54% of gross sales is profit
<i>Mission Outcomes:</i>	Provides sixteen jobs; the staff is a combination of disabled and nondisabled staff.
<i>Legal Structure:</i>	AHRC Cartridge King operates as a program of AHRC, thus it retains non-profit tax status.

Organization Background

Fifty-seven years ago a small group of parents joined together and started AHRC in order to obtain services for their mentally retarded children. The organization now serves over 11,000 individuals. The aim of AHRC's work has been to offer disabled individuals day to day living that is as rich, absorbing and as worthwhile as possible, with an emphasis on helping individuals live up to their maximum potential in the community. In addition to its social services AHRC also offers a variety of business services in order to provide employment and job training for its clients.

Cartridge King is a unique corporation founded with the express purpose of creating non mainstream jobs for immigrants and people with disabilities. They are primarily a training company that teaches nonprofit organizations the important and transferable skills of how to make, market and sell a product. Chip Beziat—founder of Cartridge King—choose cartridges as the “product of choice” because he saw that laser printer cartridge recycling was an up-and-coming environment-friendly business that could be licensed to nonprofit organizations around the country. Cartridge King is not officially a franchisor but rather, a “business opportunity” organization that uses a model similar to that of franchising. A business opportunity involves the sale or lease of any product, service, equipment, etc. that will enable the purchaser-licensee to begin a business. The licensor or seller of a business opportunity usually declares that it will secure or assist the buyer in finding a suitable location or provide the product to the purchaser-licensee. This is different from the sale of an independent business, in which there is no continued relationship required by the seller.

Social Franchise Origins

Previous to its Cartridge King franchise, AHRC had worked with a private commercial cartridge recycling firm that provided limited jobs for AHRC clients allowing them to “sort empties” which were then sold to remanufacturers. In 2004 AHRC hired an individual who had previously been Executive Director of a similar imaging and recycling facility in Connecticut (and was an affiliate of Cartridge King) to be its Associate Director of Administration and Finance.

To enhance AHRC training services, the Director felt it would be in AHRC's best interest to partner with Cartridge King instead of the private recycling firm because the Cartridge King business model trains and employs workers to completely remanufacture cartridges rather than simply sort empties. This more challenging work creates highly transferable job skills and provides a higher rate of pay. While this Director no longer works for AHRC, the Cartridge King franchise continues to flourish.

Franchise Deal

Cartridge King operates under a "business opportunity model" and works solely with nonprofit organizations, primarily those organizations which focus on employment for disabled, impoverished and disenfranchised individuals. The total initial fee of \$13,000 has not changed since Cartridge King's inception and includes on-site training, equipment, technical assistance, training materials for supervisors, marketing materials and sales tools.

AHRC paid the initial fee of \$13,000 and received training for its current employees, training materials for life (including update training when new cartridge products come out), and enough tools and equipment to employ 2 workers. In addition AHRC purchases supplies from Cartridge King. AHRC paid small additional fees for additional tools and equipment to employ a total of 16 people.

Challenges

- § **Lacking a strong sales force** – AHRC Cartridge King struggled to employ a consistent sales person. From AHRC Cartridge King's inception, the AHRC did not have anyone in this position and acknowledged that this was greatly affecting their business. AHRC's Vocational Services added a marketing and sales representative in December of 2006 who closed 10 Cartridge King contracts in her first year, generating over \$40,000 in additional revenue. Additionally, Cartridge King Corporate has recently secured the services of one of the top three cartridge sales reps in the country to train and support affiliates in procuring larger contracts.
- § **Non-traditional work days** – Many disabled persons do not work an 8-hour day, or are often unavailable for scheduled shifts because of medical and therapeutic appointments.

Keys to Success

- § **Location** – AHRC operates the Cartridge King out of its main office. Their central location allows them to easily recruit nearby businesses as customers.
- § **Socially-concerned business** – AHRC believes that many customers chose their business because it serves and employs disabled individuals. They also acknowledge that the environmental and social aspects of the business—separate from AHRC's own mission—appeal to potential customers.
- § **Extensive labor pool** – As a nonprofit that already provides vocational training, AHRC had access to a large labor pool to staff their business. This made it easy to locate and to train employees.
- § **Straight-forward business** – The business model for Cartridge King is relatively uncomplicated. AHRC's clients can also easily master the skills required for working at Cartridge King.

SFV Takeaways

- § **A well-defined cost structure is useful for determining future investment** – Along with an established operating system, this franchise provided a good understanding of the costs associated with operating a franchise unit. Although some variable costs still exist, this knowledge allowed AHRC to forecast more accurately the capital needed to operate the venture and to secure the resources for the business.
- § **Using existing personnel resources can defray costs** – By utilizing the strength of their accounting department and warehousing, AHRC did not have to hire additional staff to deal with the financials and materials storage of the Cartridge King operations.