

AIM Mail Centers and Industrial Support Systems (formerly Fontana Rehabilitation Workshop, Inc.)

At a Glance

<i>Location:</i>	Rancho Cucamonga, CA
<i>Year Opened:</i>	March 2000
<i>Annual Revenue:</i>	\$260,000 in gross sales in 2007
<i>Profitability:</i>	Broke even in Year 2; Profitable by Year 3
<i>Mission Outcomes:</i>	Provides training and employment opportunities for consumers and increases community awareness of Fontana and its mission
<i>Legal Structure:</i>	For-profit subsidiary

Organization Background

The Fontana Rehabilitation Workshop, Inc. was founded in 1964 to meet the needs of individuals with developmental disabilities. Primarily, the workshop was established to provide continued program activities for the growing number of "trainable mentally retarded," graduating from Slover Special School in Fontana and from special education classes throughout the Fontana School District. In 1965, the workshop separated from the school district and became independent. In 1974, it adopted the name Industrial Support Systems (ISS). The organization presently serves over 100 individuals with disabilities on a daily basis and trains clients to do subcontracted work.

ISS contracts with the federal government to package and assemble military badges. In addition, ISS provides other fulfillment jobs such as assembling and packaging sporting goods, pet products, and other consumer goods. Clients are trained in grounds and janitorial maintenance, and work on both residential and commercial accounts. ISS also serves state and county agencies such as CalTrans.

Social Franchise Origins

ISS's decision to enter the social franchise arena was driven by two factors: their mission and their funding situation. ISS's focus is the provision of community employment for people with disabilities, and they were interested in developing new program services and forms of employment for their clients. Thus, the decision to enter franchising was driven by their desire to better fulfill their social mission. It was also driven by a desire to diversify revenue streams due to an impending loss in state funding in the late 1990's caused by the government of California reigning in spending and concentrating its funds in other budget areas. Initially ISS had looked into independently developing new employment opportunities through their existing departmental services, but they found it difficult to convince community employers to increase the number of ISS clients they were willing to hire.

ISS wanted to run a business close to their corporate headquarters with a relatively low startup cost. They had an existing workshop for volume packaging, so they attended a franchise expo and started exploring options in the related fields of mailing and printing. The AIM Corporation offered them a money-back guarantee if the franchise did not work for them, and an existing AIM mail store was for sale. ISS/Fontana was able to purchase the store for a relatively low cost and was able to hire a manager who had previous experience operating a Mail Boxes Etc. location.

AIM had never before worked with a nonprofit organization but felt that Fontana could make a good franchisee because they had experience in a related field.

Franchise Deal

Industrial Support Systems Fontana Rehabilitation Workshop purchased an existing AIM Mail Center that had been closed and turned over to the franchisor. Because they did not have to deal with build-out, buying the existing store was cheaper than building and starting their own store. They currently pay the standard 8% royalties to AIM Mail Centers. They have six employees, three of whom were placed at the center through the Fontana Rehabilitation Workshop.

The Rancho Cucamonga AIM Mail Center does not advertise that they are part of ISS—in part due to AIM's relatively stringent advertising content rules. The Rancho Cucamonga AIM Mail Center reports that it advertises like any other AIM mail center and that its strong business is a result of its superior customer service. They further confirm that the surrounding community has embraced the three workshop-sourced employees and that they have truly been an asset to the center.

The founding of the Fontana Workshop-owned Rancho Cucamonga AIM Mail Center paved the way for other nonprofit organizations to become AIM Mail Center franchisees. AIM Mail Centers currently have two nonprofit franchisees beside Fontana—Elwyn Inc. in Huntington Beach, California and CenterForce in Lakewood, Virginia.

Challenges

- § **Revenue does not equal profit** – ISS initially struggled with the concept that simply because the mail center was generating revenue, this money was not available to be spent on programming because all of the costs of the business had to be covered.
- § **Developing vendor relationships** – Franchisor recommended vendors don't necessarily offer franchisees the best prices on all items. It took ISS a while to realize that it was cheaper to purchase paper from Costco than from its original vendor.

Keys to Success

- § **Sufficient working capital** – Purchasing the existing center was only part of the initial costs. It was equally important that Fontana was able to adequately capitalize the venture so that it could cover salaries and supplies before the venture broke even.
- § **Customized training** – Fontana trained their disabled employees individually, ensuring that each client understood what their responsibilities entailed.
- § **Starting from scratch...or not** – Purchasing an existing business with an existing customer base means that the owner can focus on maximizing other aspects of the business

SFV Takeaways

- § **Be clear with franchisor about nonprofit mission objectives** – Nonprofits need to communicate to the franchisors early in the process if the organization is looking to use the franchise unit as a job-training platform, as a catalyst for community development, or for other social purpose. This disclosure is particularly important given the impact mission objectives can have on financial performance. From the beginning, Fontana made it clear to AIM Mail Centers that the organization was looking to use the franchise unit as a job-training platform for its disabled clients. Only after the franchisor accepted this condition did the organization proceed to the negotiations phase of the franchise process.

- § **Do not assume you will automatically receive the best offer from franchisors during initial negotiations** – Some organizations assume that because of their nonprofit status, franchisors will automatically give them the best deal available. However, whether this preferred treatment is the price of a business or the amount of assistance provided to the nonprofit, organizations need to take responsibility for negotiating in their own best interests during discussions with the franchisor. Fontana negotiated with AIM Mail Centers for several weeks before signing the franchise agreement. Issues discussed included the cost of acquiring the franchise, the responsibilities of the franchisor for refurbishing the site location, and the use of clients within the franchise unit. As Fontana's executive director stated, "Be as strong in your business as you are in your mission or else you'll be out of business."