

## Unit 2 Case Study

### Franchising Success

According to a 2023 study by *Entrepreneur* magazine, the average percentage of terminations of closures for franchises over the previous five years was only 3.9 percent. This same study suggests that franchises with higher initial investments tend to have lower closure rates. Perhaps this is one reason why former NBA star Shaquille O’Neal has been so successful with purchasing and operating franchises. It is likely you know Shaquille O’Neal from his basketball career, but what you might not know about the seven-foot former center is that he is also a tremendously successful entrepreneur. Additionally, he possesses a bachelor’s degree in general studies with a minor in political sciences, an MBA, and a doctorate in education.

While he was an active player, O’Neal received some great advice from Magic Johnson. Magic informed him that basketball would not last forever and that he should start buying and owning properties and licenses. It has been reported that 60 percent of former NBA players end up going broke within five years of leaving the NBA. Now, O’Neal stresses the importance of financial literacy and hard work, telling his children that while he has a net worth of \$500 million, they need to work hard for the things they want.

O’Neal has acquired most of his entrepreneurial success by purchasing franchises. He has bought and sold over 150 Five Guys burger restaurants. Before he sold his franchises, his ownership accounted for roughly 10 percent of the Five Guys company. He has also been involved with 17 Auntie Anne’s Pretzel franchises, one Krispy Kreme location, and nine Papa John’s franchises, as well as 40 different 24-hour fitness gyms. Additionally, from 2013–2022, O’Neal was a minority owner in the Sacramento Kings NBA team. When asked why he purchased so many franchises, he replied that he has always been interested in partnering with reliable brands. In 2018, he launched his own food brand named Big Chicken. In addition to being a franchise owner, O’Neal became a spokesperson for Papa John’s and served on the company’s board of directors from 2019 to 2024.

Not just one of the most famous basketball players ever and a successful entrepreneur, O’Neal is one of the most successful social entrepreneurs as well. For over 30 years, he has played Santa Claus, giving out toys every Christmas and working in the preparation and distribution of food at various soup kitchens.

1. Do you think purchasing a franchise is a good choice for starting a business? Explain your answer.

**Answer:**

2. If you had a high paying job, how would you make sure that you did not lose everything after leaving the position? Identify how you would manage your income.

**Answer:**

3. Thinking about Shaq's reaction to being told his shoes are too expensive, what would you have done? Do you think you would have left Reebok based on a customer complaining about how expensive the shoes were? Explain your answer.

**Answer:**

4. Like Shaq, many successful entrepreneurs stated their children will not be getting an inheritance and instead need to work for their income. Do you agree or disagree with Shaq in making sure his children work hard for their money instead of him giving them all an inheritance?

**Answer:**

5. Do you think his education has helped him be a good entrepreneur and investor in franchises? Explain your answer.

**Answer:**