

The Tan Company's Blueprint For Growth Leads to More Locations

March 8, 2007 - (Fenton, MO)-Successful companies have an almost Zen-like quest for perfection. Motorola pioneered Six Sigma, the quality improvement process that strives for producing error-free products 99.9997 percent of the time. The Ritz-Carlton hotel chain is legendary for providing 120 hours of training per employee, per year, helping ensure its guests enjoy the experience of a lifetime.

Forty-two-year-old entrepreneur Todd Beckman is no different. He insists customers be greeted within three seconds of arrival. Employees are empowered to "own" customer concerns and see them through until resolution. Every customer experience is expected to exceed expectations.

But Beckman is in an industry where you normally wouldn't expect to find such an extraordinary commitment to excellence. That's all right, because Beckman's formula for combining world-class facilities, state-of-the-art equipment and outstanding training and customer service with a passion for perfection has positioned The Tan Company as one of the fastest-growing tanning salon franchises in the nation.

With 72 locations in 12 states, The Tan Company expects to grow to 100 locations by the end of 2007 and reach 500 salons within five years. Beckman is considered one of the industry's pioneers since opening what was formerly called The St. Louis Tan Company in 1994.

Beckman was one of the first to combine the superstore concept – dozens of tanning beds providing multiple levels of tanning - with an economical membership program that provided unlimited tanning to customers instead of paying per visit.

Along the way, Beckman has fostered The Tan Company brand – recognized for its "Five-Star" facilities, world-class skin-care products and cleanest tanning environment in the country - making it a premier investment opportunity for single- and multi-unit ownership and area development.

"I saw the un-professionalism in the tanning industry," Beckman said. "There was not a dominant brand with first-rate facilities and service. Most were run like mom-and-pop businesses. I felt we had a unique idea."

Beckman got his first job bussing tables when he was 13. His parents, Ed and Gay Beckman, owned several hair salons in the St. Louis area. Todd opened his franchised hair salon in 1984 when he was only 18.

Two years later, Beckman put four tanning beds in the back of his salon. They were immensely popular. It convinced Beckman to buy a small tanning salon in suburban St. Louis in 1994 that had sales of \$65,000 in its first year under previous ownership. Beckman's St. Louis Tan Company – with its innovative membership program – had sales of \$57,000 in its first month alone.

Even with two locations, customers were sometimes waiting 90 minutes for a tanning bed. Nine months later, Beckman opened his first superstore in Maryland Heights, Mo., with 30 tanning beds providing multiple levels of tanning.

"We've been building off it ever since," Beckman said.

The St. Louis Tan Company grew to 15 locations by 2000. With growing demand for the superstore

concept and ever-increasing customer traffic, Beckman decided to franchise his business model and expand outside the St. Louis area in 2001 as The Tan Company. Today, superstores with 20-plus beds and five levels of tanning account for 90 percent of The Tan Co. locations.

"It took someone with an entrepreneur's attitude like Todd to see the potential in building a brand when there were so many others entering the industry who only wanted to open a small salon," said Todd Layton, vice president of franchise operations. "Unless you were willing to make a commitment to be the best as Todd did, it wasn't going to work."

Beckman's business prowess has caught the attention of others, namely Dave "Lags" Lageschulte, who became the first franchisee of the popular Hooters restaurant chain in 1983. Along with his partners, Lageschulte developed Hooters restaurants throughout South Florida and became one of the chain's most successful franchisees. He is co-owner of the world's first Hooters Casino Hotel that opened in Las Vegas in February 2006.

In January 2006, Lageschulte purchased a 50 percent ownership stake in The Tan Co., as well as area development rights to Georgia, Virginia, Florida, North Carolina and South Carolina. His first location opened in Athens, Ga.

Lageschulte's involvement not only gives The Tan Co., the financial backing that makes it one of the strongest companies in its industry, but also an expertise in franchising and branding that is invaluable to the company's future growth.

"Lags understands franchising extremely well," Beckman said. "He saw that we had a great concept and wanted to become a part of it. It's nice to have someone with Lag's resources behind The Tan Co. He has always stressed the importance of understanding and building our brand."

The Tan Co.'s corporate team is literally hands-on when it imparts the importance of brand building to its franchisees. Four members of the corporate staff are involved as owners of 30 of The Tan Co.'s 72 locations.

"We know the importance of our brand," said Beckman. "Instead of just trying to open a lot of salons, we are earning the faith and trust of our customers and franchisees by how we do things. We want to build The Tan Co. brand so people ask for us by name."

The Tan Co. offers two salon models: a small store with 12 beds and the superstore featuring 20-plus beds. Both concepts offer five levels of tanning and Mystic Tan sunless tanning.

The estimated initial investment is between \$250,000 and \$500,000 depending on the model. Small salons average 1,400 square feet in size while the superstores can reach 2,800 square feet. Preferred locations are outlot and traditional strip centers, but some are stand-alone stores and others are located within or close to fitness centers.

Beckman has commitments from area developers for more than 60 locations. Almost one-quarter of franchisees are multi-unit owners. With a reasonable investment cost, simple business model and sophisticated management system compared to other franchise concepts that promote multi-unit ownership, Beckman said The Tan Co. offers investors a proven ground-floor opportunity.

While The Tan Co. is among the five largest franchisors in the industry, those chains attract only five percent of the market, according to industry experts. While Starbucks and Blockbuster emerged as industry behemoths in the coffee and video industries, respectively, that has yet to occur in the

indoor tanning industry.

Beckman sees no reason why The Tan Co. can't be the dominant brand in tanning.

"In many ways, the tanning industry is still in the mom and pop stage," Beckman said. "Becoming a Tan Co. franchisee means getting involved with a company that is going to be nationally known in the next five years. It's similar to becoming a McDonald's franchisee when it had only 70 restaurants."

Franchisees who combine strong financial and operational skills with The Tan Co.'s support in such areas as site selection, store layout and design, training, operations, sales and marketing and salon software will shape the company's success in the coming years.

The Tan Co. is attracting business-savvy investors who realize indoor tanning has yet to fully capitalize on a significant consumer base. Many investors have already built successful businesses in other industries. Among some of The Tan Co. investors are gym owners and existing franchise owners within the hair salon and restaurant industries.

"We are attracting franchisees who are organized, entrepreneurial, hard-working and committed," Beckman said. "These are also individuals who want and recognize the benefits of having multiple locations."

Franchisees get an early introduction to The Tan Co.'s exemplary business practices. The Tan Co. University, established in 2000, is a nationally recognized program and the first in its industry that uses role-playing and other creative techniques to develop the most knowledgeable and motivated sales teams in the tanning industry. The Tan Co. also recently introduced an online interactive training center that provides the most advanced interactive training and testing available today.

With more than two decades of industry experience, Beckman says it is fitting that The Tan Co. is on the fastest growth pace in the company's history.

"Franchisees are investing in our system," Beckman said. "Anybody can buy a tanning bed and put it in a store. But we have been perfecting this system for 20 years. It's an impeccable system that works if you follow it. Now we want to take the best system in the industry and turn it into a nationally known brand."