

Metal Supermarkets

Franchise Summary

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Category: Retail

Subcategory: Business-to-Business(B-2-B), Metal Products / Services

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Franchise Fee: \$44,500

Royalties: 6%-3% of gross sales based on sales volume

Cash Investment: \$150,000

Total Investment: \$350,000 - \$612,000

NetWorth: \$500,000

VetFran: Yes

Home-based: No

SBA approved: Yes

Master Franchise / Area Developer Opportunity: No

Founded: 1985

Franchised: 1987

Additional Details

Metal Supermarkets is the world's largest small quantity metal distributor. Our stores are small metal warehouse and distribution centers, typically 4,000 - 6,000 square feet located in a medium to light industrial setting. Our stores stock, and sell various grades, sizes and shapes of metals such as aluminum, hot and cold rolled steel, stainless steel, brass and copper in bar, tubes, channel and sheet.

Our business is selling stable industrial commodities. Metal is not a fad! It has been around for 100's of years, and hasn't materially changed over time. From a product standpoint, we don't sell anything different from other suppliers - we simply sell it differently by holding and selling a broader range and selling in smaller quantities, faster, with greater flexibility and higher gross margins. This appeals to the company's core customer base- the smaller volume, non-manufacturing user. These users are typically frustrated by the fact that the metals market is volume driven, product specific and not time and service sensitive. We are the exact opposite; we are service driven, non-product specific, and not volume sensitive.

The core focus of our business is not selling high volumes of metal used in manufacturing itself - that is for the major metal service center - but the maintenance and repair departments of manufacturers, distribution companies, food processors, machine shops, tool and die makers, government agencies and a wide and diverse variety of other companies and institutions as well as home owners and hobbyists. 90% of our sales are to other business, and the remaining 10% is to homeowners, hobbyists, artists, etc.

This is a real B2B relationship business! One of the best things about this business is that it enjoys minimal customer and industry dependency. A typical branch has a widespread and diverse customer base which enables franchises to develop a fairly predictable revenue and profit stream due to the customer diversity.

The thing that surprises most people about our business, particularly those from other industrial distribution businesses, is that our unique business model achieves retail margins. Our franchisees consistently average gross margins between 45 and 55%. Based on our most recent data, the average franchisee generates 30 invoices/day, with an average invoice size of \$165, and enjoys over \$550,000 per year in Gross Margin based on sales of approximately \$1,200,000. A number actually exceed these averages by meaningful amounts.

Customers who deal with Metal Supermarkets value and benefit from our key differentials and unique selling propositions including "cut to size" metal, fast delivery, and sourcing of non-stock and "hard to find" items, with no required minimum order size.

WHY the metal distribution industry?

The metals distribution business is a \$170 billion dollar industry in the US.
Metal is not a fad! It has been around for 100's of years, and hasn't materially changed over time.
The metals distribution business is very fragmented and is ripe for a national company to build a strong national presence in the small quantity niche.

WHY Metal Supermarkets?

BACKGROUND

Year founded: 1985
Year franchised: 1987
Number of franchises currently operating: 125
Number of corporate owned franchises: 5 (all in the UK)

Home Based: No
Absentee ownership available: No
Accepting Master Franchisor and Area Developer Referrals: No

The barriers to entry in Metal Supermarkets are not primarily financial. You need money to support startup costs, inventory investment, fixed assets, leaseholds and trade accounts receivable. Most important is the knowledge and transfer of the business methods and systems to our franchisees. With a track record of over 20 years we know how to assist and guide franchisees in setting-up and manage the business, creating critical preferred vendor relationships, manage inventories, develop pricing strategies, and teach, coach and guide them on how to sell and market our products and services.

Our franchisees can make solid profits while building a long term, tangible and sustainable business with limited competition.

OUR IDEAL FRANCHISEE

Current franchisees come from all walks of life but successful ones do have some commonalities such as a desire and willingness to build and invest in a long term business with tangible products in the B2B arena, have a sales aptitude, extroverted personality, and a willingness to provide outstanding customer service. In addition, they should have a semi-mechanical aptitude.

AVAILABLE MARKETS

US markets available: We are accepting applicants from all states; however we do have minimum requirements for territory sizes in order for the business to fully succeed. From market standpoint, we need a market that has an industrial/distribution component to it. We are not population dependent, but business dependent, to make life easy and simple, a mid sized industrial city/region works best. We need a minimum of 500 business that meet our SIC codes to be successful, which typically equates to a population base of at least 250K.

HOT Regions/Desirable: All available

Canadian Referrals: Yes- Nova Scotia, New Brunswick and Saskatchewan only

International Referrals: Yes

Average number of employees required: 2 plus the franchisee to start

FINANCIAL DETAILS

Franchise fee: \$ 44,500

Providing earnings guidance in Item 19 in FDD: Yes

Total investment range: Single Unit: \$ 275,000 - \$ 450,000; 2 units: \$ 475,000 - \$ 550,000; 3 units: \$ 650,000 - \$800,000

Net worth requirement: \$ 500,000

Royalty: 6% of gross sales declining to 2% based on sales volume on a monthly basis

Additional fees: 0.5% Brand Fund fee

Financial assistance available: no

VetFran program: Yes

SUPPORT & TRAINING PROVIDED:

Training and support program details: The franchisor provides two weeks of classroom and in-store training, a series of 8 webinars, 3 external training courses, as well as 14 days of on-the job training at the new location. The stores then receive a 3 to 5 day visit at the 2 month point to continue the development of the franchisee and support them in continuing to grow their business. All members of the franchisee operation - manager and owner- are required to attend the initial training. Training is conducted by experienced management and staff members from the franchisor's office. The trainers have on average 10 years of experience with the brand, 14 years as trainers and 17 in the franchise industry.

Cost for Training:

- a. Investor: no cost other than travel and living expenses
- b. Others: no cost other than travel

and living expenses

c. Later for new hires: \$ 500 plus travel and living expenses

Lodging and airfare included: No

Site selection assistance: Yes

Lease negotiation assistance: Yes

Mentor following training: Yes

Length of mentoring Franchisee:

For new stores, the franchisor provides consulting support through additional visits from field representatives to the company's CEO during its initial 6 months of operations. The "Focused Branch Start-up Program" includes support staff scheduling and conduct weekly (gradually reducing to by-weekly) telephones calls to perform a diagnostic process followed by strategy formation and review sessions. This enables the new franchisee to successfully implement the business systems and strategies so as to incrementally grow revenues.

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