

IS YOUR BUSINESS FRACHISABLE?

Franchising is a highly adaptable method of expanding your business. If done correctly, it can enable rapid expansion while spreading the risks and costs associated with such expansion. There are over 90 categories of franchise businesses and more than 7,500 different franchises in existence. Almost any type of business can be franchised. However, just because your business is capable of being franchised doesn't mean that it should be.

Remember that to have a successful franchise, your business concept (i.e. your sandwich shop, lawn care service, muffler shop, daycare, etc.) must be attractive to consumers AND your franchise concept must appeal to potential franchise buyers.

Your franchise concept is much more than just the business concept it represents. It is your particular system for doing things such as site selection criteria, build out and design specifications of your stores, equipment and inventory selection, training methods, your supplier relationships, staffing methods, etc. It is the "turn-key" business solution that allows someone with little or no expertise in a particular area to run a successful business.

Factors to Consider

There are many factors to consider in determining whether your business is ready to be franchised. Here are 12 issues to contemplate in making the franchise decision.

1. How unique is the business?
2. What type of competitors exist in the marketplace?
3. What is the current and future projected demand for your product or service?
4. Do you have a proprietary concept that others would be willing to pay to learn?
5. Can the concept be easily taught to others?
6. Is the concept merely a passing trend or is it something that you firmly believe will endure in the marketplace?
7. Is the success of the business based on elements that are easily duplicated? For example, if your business is only making money based on your connection with a specific neighborhood, it may not be a good franchise concept.
8. Are any unusual skill sets required for the operation of the franchised business? For example, if every franchise owner must also be a licensed veterinarian, your market for potential franchisees will obviously be fairly limited.
9. Will you be able to deliver on-going value to the franchisees after they have learned your system?
10. Do you have the necessary management skills/team to implement and administer a franchise system?
11. Does your system have a clear identity in the marketplace that you can protect against others? Have you taken all necessary steps to protect the distinguishing features of your stores, including your name, logos, and designs? You will need to make sure these items are capable of trademark and/or copyright protection and obtain this protection prior to starting your franchise. You should speak to an attorney experienced in trademark and copyright issues.
12. Do you have sufficient capital (or access to financing) to fund the start-up of a new franchise system? Depending on your specific franchise and your expansion plans, most franchise

consultants would say you need anywhere from \$50,000 to \$200,000. However, I have worked with many franchisors that had significantly less than \$50,000 for start-up fees.

Making the Leap

If you do make the decision to franchise, you will need to consider several additional issues such as:

1. What are your minimum requirements for franchisees in terms of both experience and net worth?
2. How will you locate and market to qualified franchisees?
3. How much will you charge for initial franchise fees?
4. How much should the on-going royalty fees be?
5. How much will franchisees be required to spend on advertising?
6. Will franchisees be required to buy inventory and supplies only from you or your approved suppliers?
7. Will you offer Area Developer or Master Developer franchises?
8. Will you provide financing to franchisees?
9. How long will the franchise term be?