



BUSINESS FRANCHISING – JUST WHAT SHOULD YOU LOOK FOR IN A FRANCHISE?

What is a Franchise?

- An authorization to sell a company's goods or services in a particular place
- A business established or operated under an authorization to sell or distribute a company's goods or services in a particular area.

How did franchising start?

One of the earliest franchisors was the Singer Sewing Machine® Company, which set up dealers shortly after the Civil War to sell and repair its revolutionary machines throughout the country. Shortly after the turn of the century, Coca-Cola® licensed others to manufacture and distribute its wonderful elixir. Ford Motor Company® later set up dealers to sell and service its products. Of course, McDonald's® is an example of how an entrepreneur (Ray Kroc) could take an idea and quickly spread it coast to coast (and eventually around the world) without starting out with millions of dollars in capital. Many companies turn to franchising as a system for expansion because they recognize that they can grow rapidly with a minimum amount of capital and enlist top-notch partners if the company is willing to share the profits. The company that sells licenses to its system is called the franchisor, while those who open their own units are called franchisees.

Why franchise?

There are many reasons why franchising is the best type of operation for the majority of first-time business owners. Most revolve around the increased probability that the business will succeed and provide profits to the owner in a shorter time frame than an independent business. This allows the owner to address her or his personal goals both financially and personally. Here are a few, more detailed, answers to that question.

Earn what you're worth

Thousands of franchise owners report they were handicapped in their corporate careers by company policies and supervisors that put a cap on their earnings. When you own your own company, your efforts are rewarded and your personal income shows it!

Satisfaction of Achievement

Many business owners report that seeing their actions turned into reality without stagnating for months in committee meetings (as often happens in big companies) is a major reward of owning their business.

Quicker Start-Up than Independents

A proven plan out-paces an independent's hit & misses operation almost every time. Looking at just independents that succeed--you'll find that franchises grow quicker, reach break-even sooner and succeed more regularly than others in the same industry as depicted in the accompanying chart

What do I need to know?

Another question that arises is "What do I need to know in building my own franchise?" There are four main ingredients found in each business...

- The product or service that is delivered to its customers.
- The location that the business occupies.
- The amount of capital that was invested or borrowed by the venture.
- The management team that runs the company -You!

Making a choice

Choosing the right franchise can be a confusing process.

First, you must believe in the product or service that the franchise network delivers. Is the niche stable, expanding, long-term, saturated?

Next, you must verify the industry's future. What do the trade papers predict?

Check your aptitude for the job. If you don't enjoy math, an accounting franchise isn't for you, etc. Often outside sources can help here. A personality and aptitude test (similar to those used by major corporations) will help you discover your hidden talents.

Determine the earnings capability. Most franchisors can't provide earnings projections, but you must make an effort to determine your future return.

Confirm the potential earnings and the franchisor's integrity with existing franchisees. Each franchisor will give you a list of its network members.

You should call them to get their confirmation of your projections. If a franchisor (or business opportunity seller) will not give you a list of its franchisees, you should heed the red flashing lights and end discussions.

While this article is just the tip of the iceberg, you can get a good idea why you should start your own franchise, today.