

Franchising: What you need to consider.

When the business model is finely tuned and operating nearly to perfection, many entrepreneurs come to the conclusion that they should clone it. Yes, they believe, franchising may be the ideal solution and that this opportunity is bound for greatness. But is it? Will there be a market for someone to invest and replicate this fine enterprise with a proven system and profitable return?

Many people shop for a franchise the way that they shop for a new car. They're attracted to their perception of the product and what it offers -- the equivalent of buying a car by listening to the radio and honking the horn. But franchises are best evaluated on their utility, not the bias that may be associated with a particular industry or a gut feeling that this will make millions.

There is validity in the franchise model as for the majority of them, they are a proven business system with a 90% average chance of survival as compared independent start-ups which have on average an 18% chance of survival for their first years.

So this begs the question, where can you go wrong in evaluating a franchise opportunity? The number one goal is avoiding a bad decision. If the prospective franchisee is feeling pressure, either from the franchisor representative or from himself, it's time to slow down, re-think, call in support and develop a business plan to assess the true value and return for your investments.

Before looking at prospective businesses, do a careful exploration of your current personal and financial position and where you want the business to take you. Examine your goals, needs, long-term vision and expectations. Also consider location, background training and support, your work experience, family issues, budgetary requirements, cash flow and income expectations to name just a few key points to consider in this evaluation.

It's wise to select and perhaps study multiple business models such as food, services or perhaps retail that could fit your goals and compare the value offered by the franchisee and brand.

Remember, the biggest difference between a franchise and an independent business is that the franchise is a proven, successful business system. It may be human nature to want to bring our own ideas and creativity to the business, but doing this is the single biggest mistake that franchise owners make. By definition, franchising is a distribution methodology. Its success rate is based on taking an established brand identity and working with an existing, successful business, which has a proven track record, and most importantly, policies written down in a detailed operating manual. Different franchises have varying degrees of flexibility. However, if you deviate from the model, you defeat the purpose and reduce the predictability for success not to mention putting your franchise contractual obligations and your investments in jeopardy.

It is recommended that you work with a business coach or consultant who has experience evaluating franchises and also consult with a knowledgeable franchise attorney. They can help you to do an objective, informative and fact-based validation of your options, assist in interviews, contract negotiations and protect your position with the franchisor.

The franchise business model is based on support, training and ongoing product development provided by the franchisor. These requirements vary widely by industry but, at a minimum, you should expect that training will cover these important areas. These should include an induction into their business systems, recommendations and support with site selection, initial hiring and training of employees, support for grand opening as well as ongoing advertising and marketing and most importantly, ongoing access to expert assistance during the first years of operation is also a key ingredient to success.

Franchise businesses have a lower risk profile and are a more predictable vehicle for capital investment than independent start-ups. Franchises are scalable and cover a broad base of industries and business models and best of all, no special expertise is required to own a franchise business in most cases.

If you do it right, and if the system works for everyone -- franchisor and franchisee -- franchising can be a terrific road to success and is well worth looking into.

Editor's Addition, an example of a recent Kelowna franchise purchase...

Lisa Stevens and her partner Bill, became first time business owners when they bought a Johnny's Fresh Meats and Deli franchise in Kelowna, BC this year.

"We're brand new to entrepreneurship so we wanted to buy into a business name that's well known in the community. We were also drawn to the support you receive when you buy a franchise, plus there's already existing clientele and all the systems are in place," says Stevens. "This is our first shot at running a business, so it's nice to know that we have somewhere to go if we have a question."

Johnny's Fresh Meats and Deli was the perfect choice for Stevens and her partner because it allowed for a complementary mix of their two skill sets: he had ten years experience as a meat cutter and she had a background in management. It was the ideal fit. It also didn't hurt that her partner had previously worked for the franchise owners.

"We looked into some of the main deli competitors, but because we had background knowledge on the business and its owners, Johnny's appealed to us more. Also, because it's still a small franchise, we get to be part of the growth of the business rather than just a store number; the owners are still willing to listen to our ideas and allow us to help form the business," acknowledges Stevens.

She also recognizes that being part of a franchise means more support from the franchisers. They will be spending a month with Stevens and her partner when they take over on November 1st to help them get all their systems in place, bookkeeping set up and also to help transition the customers.

Steven's advice for other entrepreneurs looking to purchase a franchise is to have no fear. "It's unbelievable the amount of work that goes into buying a franchise and setting up a business, but it's all worth it for the day when you turn the key to your business and realize that it's your store and you work for yourself now."

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