

Title:

Franchising Pros And Cons

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Summary:

Last week's question from Anthony R. on how to choose the franchise that would best fulfill his life-long dream of owning his own business sparked a number of emails from other readers wanting to offer their two cents on the subject.

Some folks offered helpful insights and suggestions on how to pick a franchise and a few things to watch out for, while other emails came from current franchise owners asking me to help them sell their operations to Anthony R.

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Article Body:

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Some folks offered helpful insights and suggestions on how to pick a franchise and a few things to watch out for, while other emails came from current franchise owners asking me to help them sell their operations to Anthony R.

Hmm, sounds like it's time to update the old business card once again. Tim Knox: Franchise Broker At Large... Who knows, maybe I can franchise the concept.

Last week I promised we'd take a closer look at a few of the things you should look for when considering a franchise opportunity. Keep in mind that there are thousands of franchise opportunities that range from the low end opportunities available for a few thousand dollars to the high end franchises that cost hundreds of thousands of dollars.

The difference in price is reflected in many ways: the viability of the opportunity, the level of training and support offered to the franchisee, the track record and financial stability of the franchisor, the success rate of the

franchisees, and a dozen other factors.

All a lower end franchisor might offer is a training manual and the right to use their company name. Many also have very little interest in weeding out potential franchisees. The truth is many are in business just to collect franchise fees. They have little interest in whether or not a franchisee actually succeeds. If you have a pulse and a checkbook, you can become their franchisee. And your pulse does not have to be that strong.

The higher end franchisors have very strict franchisee requirements and will not allow just anyone to become a part of their franchise system. They also go to much greater lengths to ensure the success of their franchisees. They offer complete hand holding from start to finish and remain heavily involved in the business even after the doors open. Yes, you do pay dearly for their assistance, but as the old saying goes, you get what you pay for.

Here are a few things to look for in a franchise opportunity:

Turnkey operation

This is the most appealing feature of many franchise systems. Many of the top franchisors will scout the best location for the business, build and equip the facility, hire and train employees, put you through an extensive management training system, then toss you the keys. Furthermore, they will work closely with you for the first few months to help make certain that you know what to do with the keys once they've been tossed to you.

The majority of franchises don't offer such complete turnkey packages, so be prepared to do much of the upfront work yourself. Often it is up to you to find a location, negotiate the lease, build out the space or erect a building, install the equipment, hire and train a staff etc.

Proven track record and management system

As mentioned earlier, many of the lesser-known franchise systems offer you a training manual, maybe a training video, and a few hours of telephone support. Not the best way to learn how to run a business. A good franchisor will provide you with thorough management training, either at their facility or onsite at yours. Since one of the reasons for buying into a franchise system is to tap into their expertise and know-how, thorough training should be a foremost consideration.

Customers waiting for the door to open

I don't have the statistics in my pocket to back this up, of course, but I'd bet the farm that every time a new McDonald's opens its door, it's a mere matter of

minutes before the first Happy Meal is sold. Many franchisors spend hundreds of millions of dollars on national ad campaigns to promote brand awareness. This works great for the franchisee who can literally have customers waiting for the doors to open on the first day of business.

Always consider the downsides

There are downsides to franchising. Foremost is the high cost of entry. The top franchise opportunities require considerable investment on the front end, usually more of an investment than if the entrepreneur started a similar venture on his own. You could open an independent hamburger fast food restaurant for a fraction of the McDonald's franchise fee, but you probably won't sell as many hamburgers. What you're buying from McDonald's is not just a fast food restaurant that sells hamburgers. What you're buying is a brand, a reputation, and a proven business system with ready to eat customers. Be prepared to pay a premium for it.

Another downside is that when you buy into a franchise system you often have to pay a percentage of your revenues back to the franchisor. You might also be required to buy supplies from the franchisor, including inventory, paperwork, software, computer systems, and anything else the franchisor decides that they should supply to you.

And there in lies the biggest downside of all. When you buy into a franchise system you don't control your business, the franchisor does. You have very little say-so in running the business. You must follow their processes and procedures without variation. And should you decide to get out of the business you may not even be allowed to sell the franchise to just anyone. The new owner would have to be approved by the franchisor before a deal could be made final.

The bottomline, Anthony, is to do your homework and make sure the franchise you choose fits your personality, your lifestyle, and your pocket book.