



Should You Build Your Own Franchising Empire?

By Steve Olson, CFE

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Franchising is the world's most successful growth strategy for small business expansion. The growth statistics are certainly impressive. Although franchises represent less than 5% of small business, they account for 41 cents of every retail dollar we spend. Franchising covers most business categories with over 75 industries now franchised, a new operation opening every 8 minutes each business day.

But behind this franchising dream of becoming the next McDonald's are the realities you must investigate: is this distribution system for your products and services the best way to grow your business ... or is it wrong for you. Let's consider the pluses and drawbacks.

- **Rapid Growth**

What if you could eventually open five new locations or more in 90 days, not pay for any of the start-up expenses, and not be responsible for staffing or operating these locations? It isn't quite this simple, but this picture does illustrate how franchising provides opportunities to greatly accelerate your business growth.

- **Higher Sales Potential**

Independently owned franchise operations typically outperform company-run locations 15% to 30%. This makes sense, since your franchisees are dedicated, vested operators who aren't going to slack off or skip work because they have a bad day. When sales and

operational problems arise, the franchise owner is most motivated to find solutions that will protect their hard-earned investment.

- **Group Power**

Advertising buys, product purchases and system networking create tremendous business advantages in bringing business success to your system. It isn't surprising that most franchisors' new products were originated /and or tested by their franchisees before going to market. This partnership and pooling of talents fuels a healthy franchise system.

- **Branding Leverage**

With franchise growth and market coverage come greater opportunities. Product manufacturers and service providers view larger franchise systems as a valuable distribution system to bring their products to market, and will pay for the opportunity to get in front of your customers. This adds another attractive dimension to your franchise potential.

So Ask Yourself: Is Franchising Right For You?

Maybe. For openers, you should have a profitable business operating a minimum of three years, at least three locations, and a minimum of \$150,000 capital to invest to franchise and market your system. Yes, it can be done for less, but recognize it will take longer, your growth will be slower, and be fully prepared for the challenges of "bootstrapping" your franchise expansion. Check out some key franchising questions to address in your decision-making process!

Consider These Seven Questions

- Can franchising help you achieve your short- and long-term goals?
- Do you believe your business can be easily duplicated?
- Do you have compelling business advantages and benefits that will attract qualified owners to invest in and be rewarded by your opportunity?

- Do you believe you can provide the leadership, training, systems, marketing expertise, location assistance and other tools to help franchisees build their own successful businesses?
- Can you adapt to this relationship of having franchise owners who in reality are “partners” in your business?
- Will you be comfortable with the legal responsibilities and obligations of a franchise?
- Will you commit the necessary time and resources to develop a successful franchise system?

Discover For Yourself!

Do your homework by contacting recognized experts in franchise development to help guide you in making the right decision. Beware of “packaging consultants” that avoid the tough questions, fail to address the competitive realities to successfully recruit qualified franchisee operators; and seem to tell you only what you want to hear. Seek out industry professionals that have consulted and launched several franchise systems.

Yes, franchising is the world’s most successful growth strategy for small business expansion. But quite often business owners realize it’s not the best road to grow their businesses. For some, it’s well worth it to conduct a feasibility study before you commit to investing your valuable time, capital and resources in developing a franchise program. If in fact franchising is right for your business, congratulations and welcome to an exciting journey that can bring professional and personal rewards to you, your franchisees and employees throughout the U.S. and the world!

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