

Is your business ripe for franchising?

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Have you ever thought about franchising your business and if so, is your business actually franchisable? Do you have people telling you that you should franchise your business? Should you give franchising some additional thought?

Put in simple terms, franchising equates to opening additional outlets through the sale of franchise rights to independent investors who will use your name and system of operations. The franchisee pays the franchisor an initial franchise fee in return for the rights to operate a business under the franchise trademark and for training in how to operate the business. For many, this is an ideal opportunity to expand a business. In many cases a franchisee will pay an ongoing royalty fee for continued support and training in advertising, marketing, sales, operational guidance, financial and human resources consulting, and other services.

Among many reasons that franchising might appeal is the low costs associated with growth. Since the franchisee typically supplies all the working capital and pays for the right to do so, a new franchisor need only invest in the appropriate legal documentation, planning strategy, operations manuals, and marketing materials and voila, there is a new business. Franchisees are responsible for the entire investment in opening locations and become highly motivated to perform well allowing for speedy growth.

The key to success in any franchise scenario is the success of its franchisees and with that in mind, one of the most important things for a new or established franchisor to do is to constantly strive to improve value both at the franchisee and at the consumer level. So, the more you can do to improve the core value proposition to the consumer, the better each franchisee's financial returns are likely to be. Successful franchisees need less in the way of support and are likely to pay the franchisor more in the way of royalties than do their unsuccessful counterparts. This brings the added benefit of improving franchise sales. Nothing sells franchises faster than franchisees that are exuberant about their returns from a particular franchise offering.

The ultimate success naturally reverts to your ability to structure a programme that delivers value. If franchisees succeed in delivering value to the customer and you succeed in delivering value to the franchisees, you are much more likely to create a successful relationship that is the hallmark of all successful franchising. Indeed, franchising can be advantageous and speedy way of expanding a business, particularly for the entrepreneur who lacks the time, the manpower, and the finances to open several business-owned locations alone. It is a strategy that prospers even during times of economic uncertainty.

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