



GROWTH THROUGH FRANCHISING

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Introduction

It's great to see that your business is successful and you're looking into growth options! You have placed a precious amount of time, energy and money into building your successful business. The path to growing your business offers you two options; organic growth or franchising.

Franchising is a valid and smart way to grow your business. This option is often overlooked as means to expansion yet often times it is less costly to franchise your business than it is to open a new location.

In this guide we will walk you through the world of franchising to give you a picture of your business on a franchise level.

We will discuss these topics.

○
What is franchising?

○
How does franchising help grow your business?

○
What are the benefits of franchising?

○
What are the common mistakes of franchising?

A person in a dark jacket and shorts stands on a rocky shore, looking out at the ocean under a dramatic, cloudy sky. The scene is split by a diagonal line, with the left side being darker and more shadowed.

There are Two Pathways for Growth

Organic Growth – Expanding your business with company owned units.

Franchise – You sell the rights to use your name, logo, products, trademarks, and business model to an own-operator, also known as a franchisee.

Organic Growth: Expansion within the company

Pros:

- 100% of the Profit
- Maintain control over every aspect of your business
- Increased flexibility of changes
- Peace of mind that nobody but yourself represents your brand.

Cons:

- High capital investment
- Full responsibility of every start-up task for all new location
- Limited expansion area due to logistics and costs
- Slow growth
- High risk

Franchising: Expansion by owner-operators

Pros

- Rapid growth at a lower cost – Unit buildout costs and grand openings are incurred by the franchisee
- Minimized growth risk – The risk is incurred by the owner-operator
- Staffing by franchisee – Hiring, recruiting and training practices are designed by you and executed by the franchisee
- Greater brand recognition – Rapid growth allows for greater brand recognition
- Higher unit sales potential – Franchisees have vested interest to succeed and compete in the marketplace
- Group buying power – With increased buying power within the franchise system, comes leveraged contracts
- Access to better talent – Most franchisees are successful professionals with a high business acumen
- Promotes 'The American Dream' – Small business owners are the drivers of the US economy

Franchising: Expansion by owner-operators

Cons

- Less control over managers – Unlike employees, franchisees are the owner-operators so you cannot actually tell franchisees what to do. There will be times when franchisees may refuse to participate in advertising campaigns and promotions. By having a well-defined Franchise Disclosure Document, most of these issues fizzle.
- Weaker core community – At times franchisees become quite competitive amongst each other, even when it comes to advertising dollars. Working together is the best approach. ‘Rogue’ players are typically weeded out during the franchise acceptance process.
- Innovation challenges – New ideas need to be accepted by the franchise owners. You cannot force change upon them; change must be negotiated.

Franchise Investment Level

Let's face it, franchising is not a cheap endeavor. That being said, it is important to know that franchising costs a fraction of the investment level to grow organically.

Building a franchise system requires time, energy and money. Piecing together legal documents is not the right approach to building a strong franchise system that people will want to invest in. A successful franchise system comes complete with a robust infrastructure; a franchise recruitment process; an extensive franchisee training program; and, uncompromising support.

A Successful Franchise System Requires

Infrastructure

Multi-unit franchise operators and franchisees search for concepts that are fully developed. This includes training material, technical support, real estate selection, site build-out assistance, robust advertising and grand opening plans, etc. Without a robust franchise system infrastructure, your emerging brand will be lost amongst the competition.

A Successful Franchise System Requires

✓ Infrastructure Recruitment

Qualifying candidates who want to follow your proven business model, is the key to building a successful franchise system. Rogue franchisees who want to re-create and run their business “their way” can ruin your brand. You need to be very selective and ask yourself, “Can I work with this person for 10 years?”

A Successful Franchise System Requires

- ✓ Infrastructure
- ✓ Recruitment

Franchisee Training

Franchisee training is essential to any franchise system. Training should occur in the classroom, at the company store for practical training, and then in the field at the franchisee location. Training instills confidence; confidence leads to success. A successful franchisee provides a royalty stream and good validation for your franchise system which leads credibility and increased franchise sales.

A Successful Franchise System Requires

- ✓ Infrastructure
- ✓ Recruitment
- ✓ Franchisee Training

Franchisee Support

Providing the utmost support for your franchisees is key to brand consistency and franchisee satisfaction. Knowing the pulse of your franchise system requires an infrastructure where you can recognize issues and problem areas before a franchisee implodes. Unfortunately, not every franchisee will succeed, but you will want to provide them with clear goals, key performance measures and your uncompromising support to help them reach their objectives.

Eight Mistakes That Can Lead To Failure

1. Under Capitalization – Educate yourself about the true cost of starting a franchise system. Starting the process without being fully funded could potentially be harmful to your business and brand.
2. Poor Operations, Training, and Support – This leads to operational headaches and can make for a very unhappy franchisee. An unhappy franchisee makes it impossible to attract future franchisees.
3. Selling Franchises to Survive – Selling in times of desperation can lead to some poor recruiting choices. A good cultural fit is imperative to a successful franchise.
4. Lacking the skills and mindset of a successful franchisor – To succeed as a franchisor, the chain must successfully transition its culture from a strong central authority to a decentralized/ empowerment culture where decisions are made along with franchisee.
5. A ‘get rich quick’ mindset – Selling franchise units does not make you money. Responsible franchisors have a long term vision and look to the potential royalty stream. Franchisors must know and care about how to make franchisees profitable.
6. Running a sprint rather than a marathon – Franchising is a multi- year play. It takes time and effort to monetize intellectual property, attain royalty sufficiency, and build significant momentum.
7. Over estimating value or demand – People don’t invest in franchises, they invest in results. A business that is unique, profitable, enjoyable, and easy to replicate offers franchise candidates an acceptable, predictable, and sustainable return for the long haul.
8. Being ill-prepared – Many franchisors try to make moves before they’re “franchise-ready.” Be knowledgeable and ready to commit to the cost and effort that goes into creating a successful franchise system.

HOW ARE WE DIFFERENT?

We help entrepreneurs navigate the complex world of franchising.

We build your empire, so you can realize your dreams.

Franchise Innovation Group is answering the call to create franchises for the future. Businesses and brands built to endure can't be built on the models of the past. FIG evaluates each and every client and develops tailored franchise solutions, designed to achieve quick ROI.

BUILD YOUR EMPIRE, REALIZE YOUR DREAMS.  FRANCHISE
INNOVATION
GROUP

Warning!!! Don't be fooled by the flashy franchise salesperson and their shiny objects. Franchising involves more than a Disclosure Document.

Franchise Innovation Group builds responsible, comprehensive franchise systems that lead to success!

If want more information, get on the calendar for a complimentary strategy session.

