

### Franchise Your Business

If you want to expand your business, which is better--franchising or satellite offices? Like many entrepreneurs, you may be wondering whether your business is well-suited for the franchising mechanism that made global corporations out of companies like Century 21 and McDonald's.

The answer depends on two things: what kind of business you want to have and what kind of business you have now. The kind of business you have now determines whether your business can be franchised. The kind of business you want to have decides whether franchising is the best way to build it.

#### Why Would You Want to Franchise?

Because the franchisee--rather than the franchisor--provides the capital for expansion, a business can grow much larger and faster than if it were funded by bank loans or internally generated funds. "You could probably sell a few hundred franchises in several years, but you probably couldn't open a few hundred company-owned offices that fast," says Barbato.

If, on the other hand, you plan to add only a handful of offices in a few new markets, company-owned satellites are probably a better choice. The heavy legal and regulatory costs involved in creating a franchise make it impractical for limited expansions, Barbato says.

Also, seriously ask yourself whether you want to become a franchisor, which is very different from being in business for yourself. Are you prepared to handle the more extensive staffing demands necessary to support an entire franchise system? And what about the competition? In an industry with many large, well-established franchises, are you prepared to be the new kid on the block?

Even your management style will likely need to be revised. "For example, a person good at selling employment services may not be good at selling franchises," says Barbato. "For one thing, it's a different customer you're going to be selling to now."

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A company-owned office, as opposed to a franchise, is run by a manager who is hired by--and can be fired by--you. However, what a company-owned office gains in control it may lose in terms of the extra dedication a franchisee is likely to show as compared to a hired gun.

### What Is a Franchisable Business?

The other key consideration in deciding whether or not to go the franchising route is what kind of business you have now. Even if you think franchising is for you, that doesn't mean your business is franchisable, says Geoffrey Stebbins, president of World Franchise Consultants in Southfield, Michigan. No matter how successful your business is, it won't work as a franchise unless it appears to be a good business opportunity.

"People get too caught up in the actual product," says Stebbins. "For example, we're not talking about selling employment services. We are talking about [whether] the employment service appeals to people as a business opportunity."

What makes an appealing business opportunity? The franchise should be based on a concept with pizzazz, says Stebbins, such as a new kind of fast food or a patented technology for repairing automobile finishes. That's because to really be successful, a franchise has to capture the imaginations of would-be business owners. It's much easier to market a franchise with built-in appeal than one that sounds like some humdrum business.

Needless to say, your franchise must produce a superior product or service. Nobody wants to purchase and run a franchise whose success is based on being the lowest-cost producer. That doesn't necessarily mean that all successful franchises cater to the silk-stocking trade, but it does mean that you need some clearly distinguishing, positive characteristics in the marketplace.

If you produce a superior product or service, it also has to be possible for you to control the quality of that product or service. Much of the appeal of a franchise system to consumers lies in the fact that, no matter where they go, if they patronize one of that system's franchises, they'll get the same quality of service and product they would get anywhere else. Unless your product or service is one that lends itself to that kind of standardization, you're going to have trouble franchising your concept.

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If you have a good product, a good market and plenty of pizzazz, you need to look for some security. Specifically, you should have--or try to develop--a strong trademark. Most of the best franchises, such as Subway and ServiceMaster, have spent lots of time and money creating strong trademarks that convey a consistent and appropriate message about the product and the franchise. Of course, to be effective, any trademark you have has to be yours and yours alone--meaning it can't be too similar to ones other businesses are using. It also has to be one that is--or could be--registered for federal trademark protection.