

Facts about Franchising

Franchise businesses are responsible for a large part of sales worldwide. There are many benefits to franchisees from participation in a franchise system.

Established Concept

The franchisee buys into a business that has an established concept. A reputation has been established.

Established Product or Service

A franchisor offers a product or service that has sold successfully. An independent business is based on both an untried idea and operation.

Name Recognition

Established franchisors can offer regional or national name recognition.

Minimum Risk and Enhanced Opportunity for Success

Franchising is very successful because it markedly improves the odds for business success. The failure rate of new non-franchise business start-ups is high because the owners have to go through the learning curve of operating that specific business. Franchises are based on a proven concept -- the franchisor has gone through the learning curve and has already invested a great deal of time, skill, effort, and money to start up, refine, and prove the concept. The franchisor provides each franchisee with knowledge and insight gained through years of experience and a successful operation. ***Estimates of failure rates among new non-franchised businesses range from 60% to 90% while many franchised businesses boast a 95% success rate.*** The primary reason you should buy a franchise is to minimize risk and enhance your chance of success.

Proven System of Operation

An attractive feature of most franchises is that they have a proven system of operation. This system has been developed and refined by the franchisor. A franchisor will typically have a highly refined system based on the entire experience of all these operations.

Tools for Success

Franchising provides the tools for success. A complete system is provided. The franchisor provides important assistance as the business is being started and on an ongoing basis.

Technical, Operational, and Managerial Assistance

The franchisor provides technical, operational, and managerial assistance. These services make it far easier for a franchisee to go into business, and the ongoing assistance is equally valuable.

Experience of Franchisor

The experience of the franchisor's management team increases the potential for success. This experience is often conveyed through formal instruction and on-the-job training.

Standards and Quality Control

Franchisors set standards and provide a mechanism for maintaining quality control.

Less Operating Capital

The expertise provided by the franchisor should enable a franchisee to operate with less working capital than the non-franchised business.

Efficiency in Operation

Franchisors discover operating and management efficiencies that benefit new franchisees. Operational standards set in place by the franchisor also control quality and uniformity among franchisees.

Management Assistance

A franchisor provides management assistance to a franchisee. This includes accounting procedures, personnel management, facility management, etc. An individual with experience in these areas may not be familiar with how to apply them in a new business. The franchisor helps a franchisee overcome this lack of experience.

Business Plan

Most franchisors help franchisees develop a business plan. Many elements of the plan are standard operating procedures established by the franchisor. Other parts of the plan are customized to the needs of the franchisee.

Start-Up Assistance

The most difficult aspect of a new business is its start-up. Few experienced managers know about how to set up a new business because they only do it a few times. However, a franchisor has a great deal of experience accumulated from helping its franchisees with start-up. This experience will help reduce mistakes that are costly in both money and time.

Research & Development

Franchisors have an ongoing interest in the development of their franchises, and many maintain permanent research and development departments. The results of these efforts are shared with all franchisees.

Advertising & Promotion

Funds pooled from all franchisees enable the franchise to have a joint advertising program national advertising program and gain wider exposure.

Marketing Assistance

A franchisor typically offers several marketing advantages. The franchisor can prepare and pay for the development of professional advertising campaigns. Regional or national marketing done by the franchisor benefits all franchisees. In addition, the franchisor can provide advice about how to develop effective marketing programs for a local area.

Co-Op Benefits

Franchises also benefit from the co-op nature of the franchise program. As a franchise system expands, many positive things happen. The brand name becomes better known; advertising increases; synergies develop; and all benefit from the sharing of experiences, buying power, and more.

Group Purchasing Power

It is often possible to obtain lower-cost goods and supplies through the franchisor. Lower costs result from the group purchasing power of all franchises.

Comparative Assessment

The ability to compare one store to another within a franchise system can be very valuable.

Research before Spending

Another reason why it is prudent to buy a franchise is that a franchise investment can be thoroughly researched before any significant expenditures are made. With a new non-franchise business start-up, you are always operating in the dark, and it is very hard to get a handle on the many aspects of the new business. But the franchisor has a wealth of information about all aspects of the franchised business.

Opportunities

Unique opportunities are provided by franchising. The opportunity to own one's own business and the rewards associated with success are provided by successful franchises. Franchisees can be in business for themselves without having to be in business alone. There is pride in being associated with a successful franchise. Franchising provides personal growth and advancement in business knowledge and skills. The opportunity to work with people and for people is valued by many franchisees.

A Gallup Poll of franchisees in the US found that over 94% considered themselves successful, and over 75% said they would buy their franchise again if they had it to do over.