*HOW & WHY TO FRANCHISE YOUR SUCCESSFUL BUSINESS**

Why Franchise?

If you want to grow your successful business, only the franchise method of expansion combines limited risk with profit potential, short-term growth with long-term stability and increased market share with greater penetration for your product or service.

The Franchise Advantage

Franchising offers successful businesses solutions to the problems of money, people, and time.
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Money

Traditionally, businesses seeking to expand have obtained outside capital by borrowing or by surrendering equity.
Franchising is an alternative method of raising capital. After paying the cost of creating a franchise program (far less than the cost of establishing a single new outlet), the remaining costs of expansion -- and most of the risk -- are born by franchisees. In addition, franchising can be a new revenue source with franchisees paying the franchisor an up-front fees and on-going royalties.

People

Franchising solves the problem of finding motivated managers.
Franchisees typically invest their own money and operate the franchise they've purchased themselves.
Companies that choose to franchise give up the burdens of payroll, funding employee benefits, absenteeism, theft, and a host of other problems associated with operating a business on a day-to-day basis.

Time

Franchising permits faster growth. Because most of the capital for growth is invested by franchisees, a franchise has the potential to grow more quickly than non-franchised businesses. White Castle, the Midwest hamburger chain, did not franchise and grew from 27 outlets in 1955 to 283 outlets in 1994. McDonalds in that same time period grew from one outlet to over 14,000. Rapid growth can be vital. When a window of opportunity opens, the first company through it is often the most successful. Domino's Pizza, H&R Block, and Blockbuster video are among many franchises that got through the window first.

Other Advantages of Franchising

Lower risk. Franchisees provide investment capital and accept most of the legal and operational risks involved in setting up a business, including purchase of inventory and contracting for space.

Buying power for products, supplies, and services grows as the franchise expands, and can also benefit company-owned outlets.

Quality control. Franchisees can be legally bound to follow the franchisor's business system to the letter.

Franchising gives talented executives the opportunity to focus on larger business issues, rather than the routine of day-to-day administration.

A solution to dealer problems. Underperforming, unenthusiastic dealers can be replaced by committed, hard-working franchisees.

Market Dominance- Because franchises tend to grow rapidly, they tend to locate many units in a given market and essentially squeeze out the competition. A franchise can advertise extensively in a given market because the cost are spread among many units. This combination of having many locations with large advertising budgets is an important competitive advantage.

Going Public- Franchise companies are high profile, quick growing and have the potential to get very large. These qualities make them attractive for either going public or for being bought out by large conglomerates.

An exit strategy can be created with a franchise program. With its growth and profitability potential enhanced, a firm can become a much more salable commodity.

Divergent profit centers and sources of income- Franchises make money in a number of different ways as follows:

i) - Franchise fee

ii) - Franchise royalties

iii) - Equipment sales

iv) - Supplies, materials sales

v) - Sales of Services

vi) - Property Rental

vii) - Rebates from vendors of equipment and supplies.

All these income streams from numerous franchisees produces substantial income flow.

Do You Fit the Profile of a Franchisor?

Not all businesses can be franchised but most business concepts can be. A profile for a franchise would include:

a) Profitability- the concept must be consistently profitable and the degree of profitability should be predictable.

b) Systematized- all the operating systems of the concept should be very polished and efficient. These systems and procedures should be in manual form.

c) Training- It should be relatively easy to train others in the use of the Systems and Procedures.

d) Margins- The profit margins built into the concept should be great enough that every franchisee who adheres to the system can realize an attractive Return on Investment. This ROI should exceed 20% before taxes.

e) Unique- New or unique concept that has the potential to expand nationally and even internationally.

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