



DECIDING FACTORS

Should you: **opt for a franchise?
do a start-up?
buy an existing business?**

Aspiring entrepreneurs ask themselves whether they should choose a franchise, do a start-up on their own, or buy an existing independent business. Those are excellent questions, and I always tell franchisors that they should have compelling answers to succeed in selling franchises. I also tell potential franchisees that they need to answer those questions for themselves once they get through the discovery process with a given franchise system and before they sign the franchise agreement.

The Federal Trade Commission oversees franchising, with most of its regulations protecting the franchise buyer. The Franchise Disclosure Document and accompanying disclosure laws benefit buyers, and of course someone considering the purchase of an existing non-franchise business doesn't have the same safeguards. Without any commitment, the potential franchise buyer can receive a lot of information about the franchise, its leadership team, initial costs, ongoing fees, training outline, historical financial performance, and contact information for current and past franchisees.

The franchise discovery process is another advantage that's unavailable to people buying an independent business or starting one from scratch. Most franchise systems follow a similar process. This includes providing potential buyers with access to all franchise sales materials. They also receive multiple question-and-answer sessions with the franchise development manager, the franchise disclosure document and a discovery day when they meet the franchise team in person and get a behind-the-scenes look at the business. Another key piece of the discovery process is talking with current and past franchisees to learn about their experiences.

Location is crucial for brick-and-mortar businesses. The owner must understand the target demographics and other factors affecting site selection, such as traffic patterns, parking requirements, zoning, and competition. The franchisor will have the tools to do this analysis, but an independent business owner would find it very difficult to deliver equivalent information.

Once a franchise business is operating, it offers several other advantages over an independent business purchase and or a start-up.

Most franchises will have a training program that covers prelaunch training, launch training

and continuing education. There's typically an operations manual that covers all aspects of running the business all day every day. Human resources support will help franchisees handle the inevitable issues that arise from running a business, saving owners time and money.

Other franchise perks: Many have predefined advertising programs and volume discounts with key suppliers.

And finally, franchising is a long-term partnership. The franchisor wants the franchisee to succeed to the max, to generate as much revenue - and corresponding royalties - as possible.

- Geoff Batchelder



Geoff Batchelder has been a franchise consultant and franchise development expert for the last 10 years, after spending 25 years focusing on business development in the high-tech industry. Contact him at 877-222-3722 or geoff@compassfranchisegroup.com. Visit www.compassfranchisegroup.com.