

## Turning your Business into a Franchise

If you have a successful business, franchising can be a very effective way of growing. You sell the blueprint for your successful business to others who are prepared to pay you for the right to replicate your business model. Instead of rolling out and running new outlets yourself, you find independent franchisees who want to set up their own businesses using your tried and tested business plans.

A franchisee will not only manage but also finance his/her business. In addition, the franchisee will typically agree to pay you royalty fees for the right to replicate your business. This may allow your business to grow faster and be more profitable than if you tried to own, fund and manage all the outlets yourself.

Some of the best known companies in business today have become household names by franchising.

### [Business Format Franchising](#)

The process of franchising as practiced by the likes of McDonalds, Prontaprint, Snappy Snaps, Swisher and others has become known by the legal jargon 'business format franchising'. This basically means that the company wishing to franchise puts together a complete business package, including a brand, a business model and a detailed method of carrying on the business. This 'format' is then licensed to franchisees. They run their own businesses but use the already established methods and trading name.

It is an important aspect of business format franchising that the franchisees don't just have the right to carry on business in exactly the same manner as the franchisor who is licensing that right: in fact they have to do so. Moreover, there are usually severe penalties for any franchisee that deviates from the prescribed methods. This is because uniformity is the key in order to protect the brand for the benefit of all of the franchisees operating under it. One bad individual has the potential to damage the goodwill of the brand for the rest of the franchisees.

Franchisors seek to exercise tight control over their franchisees through a franchise agreement that will typically contain detailed requirements on exactly how the products or services are provided to customers. These agreements usually run to dozens of pages and often seem onerous on the franchisees. However, it must be remembered that the franchisor's motive is to attempt to present a uniform front to the end users of the franchise business.

### [Is Franchising right for your Business?](#)

Many businesses have used franchising successfully, including well-known names like Subway and Kall Kwik. However, franchising doesn't suit every business.

To start with, your business needs to be successful. Nobody will want to buy the right to franchise a business that doesn't make money.

A franchised business needs to be profitable enough to make money for both the franchisee and the franchisor.

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More broadly, your business needs to be one that can be replicated in different locations by your franchisees.

Businesses that need high skills levels or professional qualifications can be difficult to franchise due to the added difficulty of finding suitably qualified franchisees.

At the same time you need to offer your franchisees something that makes it worth their while to pay you for the franchise package, instead of simply setting up their business independently. For example, you might have a recognised brand name, provide equipment or supplies they need or help with training and marketing support.

The statistics bear out that franchising remains incredibly popular, not least because the failure rate among franchise businesses is under 10%, compared to some 80% for non-franchised businesses. The reason for this is simple enough: it is easier to replicate success than to reinvent it each time.

You also need to think about the demands franchising places on you. You need to invest in developing and marketing the format. If you have limited financial resources or are already working flat out running your business, you may not be able to do this.

Finally, you need to have the right skills and attitude to make franchising a success. You need to be able to sell your concept to potential franchisees and to work with and control them. Rather than dealing directly with customers yourself you profit by helping your franchisees to be successful.