The Rewards of Franchising

In the past couple of weeks I have been asked to address the concept of buying a franchise versus starting a business from scratch. First I will start out with this statement, owning a franchise is often depicted as being in business for yourself, but not completely alone. A franchise owner works under a proven successful business structure. They also have access to proven operational and marketing strategies and the franchisor’s institutional guidance.

But franchise ownership isn’t an easy shortcut to success. As with any other kind of small business, it’s up to you to commit the finances, time, and effort to meet both the franchisor’s goals and your own. That’s why it pays to weigh the pros and cons of franchising to make sure it’s right for you.

I checked with the International Franchise Association (IFA), and they observe that franchised businesses are growing at a rapid pace. Some 400,000 franchised businesses now employ nearly 10 million people with a payroll of $230 billion. There’s always a hot new franchise on the scene. Curves, for example, a network of franchised women-only fitness centers, grew nearly 38 percent in a single recent year.

As you research franchises, ask about the required experience, if any, as well as the expected hours and personal commitment necessary to run the business. You also should learn about the franchisor’s background. For example, what is the company’s track record and how are other franchisees in the system doing? The up front cost of buying the franchise is crucial, of course, but also how much you’ll pay for the continuing right to operate the business and what products or services you will be required to buy from the franchisor.

The “Franchising Basics” section of IFA’s Web site is very helpful, www.franchise.org. It offers extensive information on how franchising works, online discussion forums that cater to prospective owners, and a searchable database of more than 1,200 franchise opportunities.

And, don’t forget about your financing. If you’re considering applying for a loan backed by the U.S. Small Business Administration, visit the SBA’s Franchise Registry at www.franchiseregistry.com. This service lists names of franchise companies whose franchisees enjoy the benefits of a streamlined review process for SBA loan applications. A faster review means better, faster service, allowing you to get your franchise off the ground sooner. Even if the franchisor is not a Franchise Registry participant, your loan application will still be reviewed individually by the SBA or its lenders.

To learn more about starting and growing a small business, contact America’s free and confidential
source of small business mentoring and coaching, "Counselors to America’s Small Businesses." These volunteer counselors provide free, confidential business counseling as well as training workshops to small business owners. For example, next Tuesday night SCORE’s Spring Small Business Seminar will be on this very topic: “Franchise Business Ownership…a choice for you” and will be taught by Dale Dissmeyer who is a Franchise Advisor with FranNet Upper Midwest.

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Web Links related to this article:
For the International Franchise Association: www.franchise.org
For SBA’s Franchise Registry: www.franchiseregistry.com