

You have a small successful business and you just have that feeling that it could be replicated with equal success. One traditional means of doing this would be to open more company stores on your own, but doing so obviously would take lots of capital and time, and you can only be stretched so far and still feel in control of what could be distant additional locations.

Franchising is a time-tested alternative for expansion that, at least over the long run, should involve less of your own time and money. If all goes well, and the odds of that are certainly enhanced by getting good professional advice at each step in the process, you can expand using someone else's money, your risks will be reduced because the franchisees will take on most of the responsibilities and risks that come with opening new stores, and expansion should occur more rapidly than if you go it alone.

Franchising entails opening additional outlets by selling franchise rights to independent investors who will use your name and operating system. The franchisee will pay you, the franchiser, an initial franchise fee in exchange for the rights to open and operate a business under the franchise trademark, for training in how to operate the business, and for any other startup services. Once a franchise is up and running, the franchisee will usually also pay you a periodic royalty fee, generally 4% to 10% of the sales, for continued support, training, and other services. A critical attribute from the franchiser's vantage point is that the franchisee must provide the capital required to start the business and must assume practically all of the risks of success or failure.

Questions

Before taking the plunge into franchising, however, you should be able to answer the following questions in the affirmative; otherwise, making the best of your single location makes the most sense.

- Will your business, however well it may have done in its original location, be well received in the broader marketplace?
- It is undoubtedly true that any business that you started yourself is special to you, but does it have a special, unique quality that will appeal to the "new" public that will be introduced to the business for the first time?
- Is your business concept, including processes that will have to be taught to the franchisees, one that can be easily duplicated elsewhere?

- Succinctly put, will your business idea sell well to potential franchisees?

Ingredients for Success

You need more than an appealing business idea for a franchising plan to be successful. Here are some of the ingredients. First, you need a proven, i.e., profitable, prototype upon which the new franchises can be modeled. Second, you should have a comprehensive set of written procedures, based on how the prototype is run, that will serve as a valuable training manual for new franchisees. Third, you should have a protected trademark that will identify in the marketplace the niche that you have created for the franchises (it can take some time and expense, but it is worth the trouble). Fourth, perhaps with the help of an experienced consultant, you should create marketing materials and a marketing plan for use in securing new franchisees. In the same vein, whoever actually sells the franchises must be aware of the usually strict regulations on such sales.

Finally, and crucially, you will need a Franchise Disclosure Document (FDD) that must be prepared in accordance with the regulations in the states where the franchises will operate and that must be approved by the state agencies that regulate franchises. A typical FDD will include an outline of the offering, information on the history and résumés of the principal franchiser officers, a report on the financial preparations for the franchising, and copies of the actual franchise agreement that will be used.

Devising and implementing a plan for franchising a business is in some respects a daunting prospect. On the other hand, if you have what it takes to establish a successful business in the first place, those qualities, plus advice from experienced professionals, may allow you to cast a much wider net for your business through the franchising process. After all, practically all of the most well-known franchises spread out from a single, original location.

