

SHOULD YOU FRANCHISE YOUR BUSINESS?

A Guide to Understanding Franchising & If It's For You

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Franchising may be the next big step for someone who wants to grow their business. Or, it may not! Below are questions you should ask yourself to be able to answer if you should or shouldn't franchise your business.

How do you know whether or not you should franchise your business? First, you have to evaluate your personal goals, business goals, where you want your business to be 3 to 5 years from now, and the money that you have to invest to build a franchise system. It also requires an assessment of your business' strengths and weaknesses and understanding what franchising is all about.



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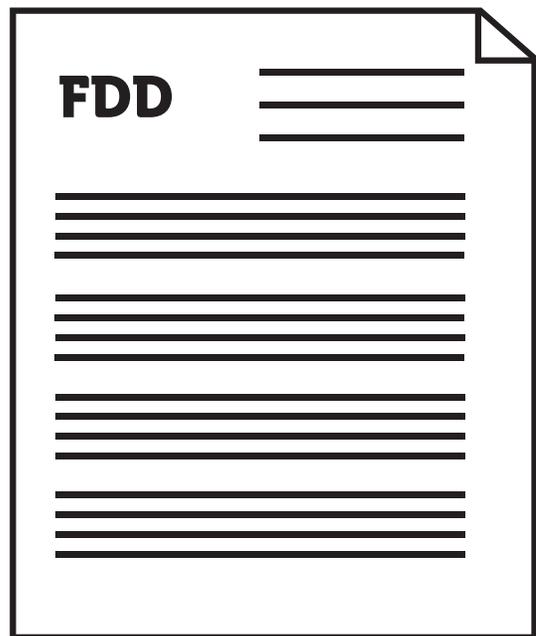
STEP 1: UNDERSTAND WHAT FRANCHISING IS AND IS NOT.

Franchising is a business model where you take what has worked for you – your business name, your brand, your know-how, and the systems for operating your business – and teach someone else how to copy and duplicate your business. Naturally, there's more involved but generally, that's all franchising is. It's a business model where you, as the "franchisor," allow someone else, as the "franchisee," to copy your business model and duplicate your business at a new business location.

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In legal terms, the agreement that creates this relationship is called a franchise agreement and under the federal and state franchise laws you must provide your potential franchisees with a prospectus called a Franchise Disclosure Document or FDD. Your FDD must be disclosed to your prospective franchisees not less than 14 days before you are paid any money by a franchisee or a franchise agreement is signed. Your FDD must also be registered and filed with the franchise registration states.



So, franchising is a business model designed to allow you to achieve multi-unit growth and expansion of your business and brand. As a franchisor, you will train franchisees and provide them with the business systems and on-going support to enable them to duplicate your business model and, hopefully, your success. In turn, franchisees who are buying a franchise use their own capital, managerial skills, and efforts to open their own franchised business and expand your brand.

When you become a franchisor and you “franchise your business” you’re entering into an entirely new business – the business of selling franchises, training and supporting franchisees, and managing the growth of your brand. No longer are you just the owner and operator of your business – you’re a franchisor!

Now that you understand what franchising is, what are some reasons why you shouldn’t franchise your business?

Well, franchising isn’t a get rich quick opportunity and it’s not a way to quickly generate extra cash. Just because someone is willing to pay you to copy your business doesn’t mean that you should franchise your business. You should only do it if franchising is a part of your long-term growth strategy and goals. Only franchise if your goal is to expand your brand and to build an organization to support and assist your future franchisees.

STEP 2: EVALUATE YOUR PERSONAL GOALS

Once you understand what franchising is about (Step 1), determining whether or not your personal goals align with franchising is straightforward.

CAN YOU ENVISION YOURSELF ON A PATH WHERE, YOU:

- TAKE THE TIME TO LEARN FRANCHISING?**
- INVEST IN MARKETING, PROMOTING, AND SELLING FRANCHISES?**
- INVEST IN BUILDING SUPPORT SYSTEMS AND INFRASTRUCTURE TO TRAIN AND SUPPORT FRANCHISEES WHO, IN TURN, WILL HELP YOU GROW YOUR BRAND?**
- ATTEND FRANCHISE TRADE SHOWS, NETWORKING EVENTS, AND EDUCATION EVENTS TO HELP YOU BETTER UNDERSTAND THE FRANCHISING WORLD AND PROMOTE YOUR BRAND?**
- RUN AN ENTIRELY NEW BUSINESS AND ORGANIZATION THAT GOES FAR BEYOND THE ORIGINAL BUSINESS THAT GOT YOU HERE?**



If your answer is “yes” to all of these questions, then it’s safe to say that your personal goals are aligned with franchising. If you have answered “no” to any of these questions and you are still interested in franchising then, well, you need to take a step back right now and have a more detailed conversation about whether franchising will be right for you.

STEP 3: EVALUATE YOUR BUSINESS GOALS

The most common way to grow a business is doing exactly what probably got you here – organic growth and expansion. However, many times organic expansion is limited. Whether it's limited capital to fuel growth or a management team that just can't take on more tasks, more often than not, franchising is the solution. Franchising allows you to take what has worked for your business and train and recruit franchisees who will use their capital and managerial efforts to expand your brand into new markets.

SO, DO YOUR BUSINESS GOALS INCLUDE:

- GROWING THE REACH OF YOUR BRAND? YES / NO?**
- ENTERING INTO NEW MARKETS ACROSS THE COUNTRY? YES / NO?**
- BUILDING SYSTEMS TO SUPPORT AND TRAIN FRANCHISEES? YES / NO?**
- PARTNERING WITH FRANCHISEES WHO WILL BECOME A PART OF YOUR BRAND? YES / NO?**
- BUILDING AN ORGANIZATION THAT, OVER TIME, WILL BECOME BIGGER THAN YOU AND YOUR CURRENT MANAGEMENT TEAM? YES / NO?**

The answers to these questions may seem simple. Who wouldn't want to grow their business? But, these questions go much deeper than just growing and making more money. If you are going to franchise, your business goals need to also be about others and creating win-win relationships for your future franchisees. It will no longer only be about you and your team. You will need a much bigger perspective.

STEP 4: EVALUATE THE STRENGTHS AND WEAKNESSES OF YOUR BUSINESS

The reach of franchising and the industries where franchising has worked for any kind of business and has created massive successes is extensive. It would be challenging to find an industry where the franchise model doesn't work. Whether or not you succeed will overwhelmingly depend on balancing the following strengths and weaknesses:

STRENGTH OR WEAKNESS #1: YOUR FOCUS AS A FOUNDER

Smart franchise leaders have proven that being a dedicated and committed founder is the most important success factor when it comes to running a successful franchise. When a franchise grows and achieves great results, there are many who claim credit – franchise consultants, developers, lawyers, sales teams, etc. When a franchise system fails, no one takes credit and everyone blames the founder.

The reality is that success must be driven by you. You're the founder and leader of the business that you are now franchising. And, while a great franchise lawyer and team will provide you with the tools to succeed, success must be driven from the top and requires an unwavering commitment by you to not only franchise your business, but to also build and grow a winning franchise system. If this describes you or someone on your team, then this is a strength of your business and if it doesn't, it's a significant weakness.

STRENGTH OR WEAKNESS #2: WHAT'S SPECIAL ABOUT YOUR BUSINESS

If you are thinking about franchising your business there needs to be something special about what you do, what you offer, how you do it, or the results you achieve. Although the products or services sold by your business may be similar or identical to your competitors, there still needs to be something special about your business.

What makes your business unique? What differentiates you from your competitors? At the moment you may not have all the answers. But, knowing your brand story and differentiating your brand from your competitors will strongly influence your success as a franchisor.

STRENGTH OR WEAKNESS #3: YOUR INDUSTRY

In the beginning, when you start selling franchises, success will be influenced by the industry and market segment that your business operates in. If your business operates in a new and hot industry or segment that is not crowded in the franchise space, then franchise sales and growth will, most likely, be easier and less expensive than more traditional businesses that are already well represented in the franchise industry. This doesn't mean that you shouldn't franchise your business if you operate within a traditional market segment, it just means you may have to work harder.

There are many examples of traditional and crowded market segments being redefined by new franchisors. A great example is Five Guys. They redefined a burger segment that, by all accounts, seemed crowded and closed.

Consider that these are just strengths and weaknesses to evaluate and that no one factor will determine the success of your franchise system. Many times, it's the dedicated and committed founder and team that will win at franchising – no matter the industry or how big their competitors are.

STEP 5: EVALUATE THE COSTS OF FRANCHISING

No matter the business or industry, without the right capital and investments, you can't win. The same is true for franchising.

Far too many emerging brands enter the franchise world without properly budgeting. Many times they spend all of their money on the franchising process like preparing their operations manual, Franchise Disclosure Document, franchise sales process, etc. without budgeting for franchise sales, marketing and promoting their franchise brand over the next 3, 6, 12, and 24 months.

So, before you decide to franchise your business, evaluate the costs of not only “franchising your business” but, also, the money that you need to spend over the next 12 and 24 months to market and promote your franchise.



To gain a better understanding about the costs of franchising your business and what you'll need to do to market and sell franchises, read **The Ultimate Guide to Franchising Your Business**.

Make sure that you have the right capital to succeed. While there are no short-cuts, working with the right team can save you tens of thousands of dollars.

STEP 6: LEARN WHAT COMES AFTER YOU FRANCHISE YOUR BUSINESS

After your operations manual, legal documents, and sales processes are thoroughly prepared, what comes next?

THE NEXT PART INVOLVES A PROCESS WHERE YOU:

- **JOIN FRANCHISE ORGANIZATIONS**
- **WORK WITH PROFESSIONALS THAT WILL SUPPORT YOU AS A NEW FRANCHISOR AND YOUR BRAND**
- **ATTEND FRANCHISE CONFERENCES AND TRADE SHOWS TO NETWORK WITH OTHER FRANCHISE PROFESSIONALS AND FRANCHISORS**
- **DEVELOP AND EXECUTE A SMART MARKETING PLAN THAT INCLUDES YOUR FRANCHISE BRAND STORY, PR, MARKETING MATERIALS, ORGANIC SEO, FRANCHISE BROKERS, AND BROKER ORGANIZATIONS**
- **BUILD OUT YOUR FRANCHISE TRAINING PROGRAMS**

Want to know if your business is franchisable? Give us a call at **(718) 979-8688** and we would be glad to discuss your brand, your growth goals, and how we can help.