

Offering Franchises

For many entrepreneurs, franchises can be a good way to get into business, because successful franchisors can provide a proven (several years) business model. Andrew Sherman, author of Complete Guide to Running and Growing Your Business, 1997, says that businesses franchise in order to:

- Obtain operating efficiencies and economies of scale.
- Achieve faster market penetration at lower capital cost.
- Reach targeted customers through cooperative advertising and promotion.
- Sell products and services to a dedicated distributor network.
- Use motivated owner operators instead of internal personnel.
- Shift some responsibility for site selection, training, personnel management, and advertising to the franchisee.

What obligations do franchisors have to prospective and participating franchisees?

To comply with federal and state regulations, franchisors must:

- Give prospective franchisees a copy of the Uniform Franchise Offering Circular (UFCO) before an agreement is made, along with copies of the franchise agreement, other contracts, and the franchisor's financial statements.
- Provide one week of training to the franchisee and manager in one of the parent stores, along with the operational manual and ongoing support and assistance.
- Provide guidelines on audits and assignment procedures.
- Provide information on franchisee's initial fees and other fees.

Does fulfilling these obligations make the franchise a good business proposition?

Not necessarily, franchisors should also provide the following.

- A marketing plan, promotional materials, and area site selection assistance to franchisees
- Adequate insurance coverage for franchises
- A trademark or service mark that is known or that will be known
- Guidelines on the purchase of inventory and equipment, requirements on restrictions on goods sold, and the terms of agreement and renewal

Are you ready to offer franchises of your business?

As a franchisor, you are responsible to your franchisees for effective training, operational guidance, and marketing assistance. It is best to develop effective procedures from day-to-day experience in the business and to give these in written form to your franchisees.

Let us help you formulate, capture, revise, and update your training, operations, and marketing materials in preparation for franchising. We stand ready to work with you to achieve your short- and long-range goals.

Contact

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