

FRANCHISING AS BUSINESS OPTION

Starting your own business requires a number of skills. You have to be a technical or technical expert in the service or product you are offering; you have to be a salesperson, a marketer, relationship-manager, researcher, an administrator and even your own personal secretary!

For some entrepreneurs, franchising may assist in alleviating this problem if you find all of the above too much for you! Franchising is known to be a successful way of running your own business. Some of the issues that are involved with the choice of being a franchisee are as follows:

Buying into a proven idea

To see if it really is for you, you would have to do some scouting around, but from the positive side, franchises are often built on a **proven idea**. This means that you can investigate other franchises and get a sense of how popular or successful they are. This does not necessarily guarantee success because there are other factors such as geographic location and management that have to be taken into account for a new franchise. Part of that proven idea is a **brand name and trademark** that have already been built up in the minds of the consumers such as McDonald's, Mugg & Bean, Nandos and Spar.

Part of the deal in purchasing a franchise is that not only do you buy into an already established brand name, but you have also purchased strategic and marketing support. The franchisor thereby helps you with training, setting up the business and supplies you with the relevant documentation on how to run the business. Marketing is another plus, because the franchisor attends to advertising and provides promotional material. **The risks**

Nothing is without risk. While the risks, in principal, are shared between the franchiser and yourself, you do face some of your own. A number of franchisees share the brand name, and any one of them could tarnish the brand name's reputation. This can spill over into your business. However, franchisors are quite careful to whom they offer the franchise.

You would not be autonomous and the parent company will share in the input on how you run and build your business. Some entrepreneurs like that; some don't. You are subject to a number of restrictions that you may feel does not allow you to make the best opportunity of your local market.

You most likely are reducing risk generally by purchasing a franchise; it is possible therefore, that reduced risk could mean reduced profits but the sustainability of the business in the longer term is a more important factor. Financing also may be easier because banks respond better to a well-known brand with a proven business concept rather than an unknown entity. If you do embark on a franchise, you are given **exclusive rights** in the designated area; you are, of course, not protected from competitors.

A franchise operates on the theory of duplicating success. That success has been proved time and time again.

Sharing of the spoils

A hallmark of a franchise is the annuity-based royalties and exclusive purchase of products as well as high initial costs. The parent company also wants to share in your profits and usually a quarter of the profits are paid over to the franchiser.

Does It Fit With You?

If this article has sparked some interest, you have some homework to do to ensure:

- That first of all, a franchise is the right fit for your business style;
- That the franchise is in an industry that you understand or are willing to get deeply involved in;
- That the reputation of the franchiser is sound
- That the franchisees in other areas are successful (determine success rate)
- That the location you think you should choose is viable (the franchiser may help you with this decision)
- That the risks and initial costs outweigh the potential benefits in the longer term

As with any venture you need to consider all the pros and cons and weight these up against what you want to achieve. Franchising is not necessarily the right decision for all entrepreneurs despite the higher image and profile such brand names attract.

For more information of franchising, visit the following useful websites: www.fasa.co.za or www.frain.co.za