

IS MY BUSINESS FRANCHISABLE?

This is a question I am asked every day of the week. And in answer... I have a question of you.
"How flexible are you to making changes to your business and the way you do business?"

By Brian Keen

You see, almost every business can be franchised in theory. It just needs to be correctly structured and be led by a business owner who can completely change the way business is done.

We have a simple 10-point questionnaire to help you find out, and I'm going to take you through that below.

Does the business have a proven cash flow and profitability?

A franchised business must be profitable and have a cash flow which will sustain a franchisee comfortably and enable him to pay his franchisor the necessary fees into the future. If your current business is not profitable now, it is usually something to be careful about as it may be an indicator that your franchisees will not be able to make their business profitable enough to cover their own expenses and yours.

I am aware though, that many franchise systems have been developed from concepts and built up by the franchisor

with their first franchisees. In this instance profitability and cash flow will not be proven up-front. But it takes an experienced business person to develop a franchise group from concept, often with much help from franchise savvy specialists along the way.

Are we 100% committed to building a larger business?

In the way we run Franchise Simply, we know franchising a business should be simple. But we also know that it is not that easy. It takes time, money and a lot of effort, often by more than one person, to build a successful franchised business system.

So, you need to have a passion for your business and be committed fully to wanting to take your business down this path. Without that commitment and passion, it will be difficult to sustain the effort over time.



Brian and his team working with a group of enthusiastic franchisors to be



Have we reached a cross roads in the business where a key decision needs to be made about the future direction of the business?

As businesses grow, they pass through stages – start-up, consolidation, success, growth, maturity. And at each stage, new factors need to be worked on to take the business to the next level. Business people know when they have reached a threshold where they could introduce new factors to grow the business and they often have a choice. Stay comfortable where they are or take a leap of faith and grow the business. And they know growth could come through different business models – franchising being just one model.

Have we had any enquiries from people wanting to franchise/ licence/partnership or open a branch, and are prepared to commit to this business?

Such enquiries are often a clear indication that the business is franchisable. These are enquiries from your prospective franchisees and show that you probably have a market for future franchisees out there.

Do we have proven demand for our product?

Tied in with the success of your business, firm demand for your product is a sign that you probably have a market

in other geographical areas and that you will be able to find franchisees to service your new outlets.

Can our business model be easily taught to others?

Simplicity is key. Think about the person who will be best suited to become one of your franchisees. Will it be painful or a delight to explain how your business runs? The more complex your business, the more difficult it will be to find suitable people to run clones elsewhere.

Do we generate enough profits so that franchisees can recover their initial investment quickly?

Remember, your franchisees are business partners who, by buying one of your franchises, have made an investment into your franchise system. They will own this franchise for the term set out in your Franchise Agreement (3 years or 5 years or more). In that time they need to generate enough profits to recover their initial investment as soon as possible, their ongoing profits, and to pay you any ongoing fees.

Do we have the right management in place?

Your responsibilities in business will change. Today you are responsible for looking after your customers and delivering your product with a smile.

decision time

Tomorrow, your franchisees will be the ones looking after your customers and your product.

You will be looking after them. Your responsibilities will be to support your franchisees, to look after the brand so that every outlet looks, feels and performs the same and to make sure the money is working across the group.

Do you have the management skills and structure to look after this new business format?

Can we / do we have someone to look after the franchisees?

Whether it's you, one of your present team, or a new team member you propose to recruit, you will have to look after your franchisees.

Certainly, your franchisees (or franchise partners as I prefer to call them) are expected to be or become business people who will deliver your product and be responsible in performing their part of the deal, but you have to provide your part of the bargain too.

As Tom Potter said when he moved from owning pizza bakeries to creating a pizza franchise group, 'I have moved from the pizza business to the people business'.

Do we have the necessary capital to develop the franchise?

Finally, yes, you do need capital to develop a franchise. Franchising a business is less capital intensive than developing a corporate business structure but it does take time and money.

You will need to make an initial capital investment to various franchise savvy business specialists to get help with structuring the business correctly – franchising is not just a matter of getting a Franchise Agreement in place to clone your existing business.

You must create two separate businesses, one for you as franchisor to look after the whole group and another structure for your franchisees to deliver your product to your customer.

In the process, it is likely you will have to adjust your business by:

- Fine-tuning your brand and your corporate structures,
- Making sure fees are going to work,
- Creating territories so that potential profitability is equitable among your franchisees,
- Developing communication and training systems.

Take the test and find out how you rate.

Go to this link and complete the questionnaire which comes up and you will receive a report on your results and a complementary consultation with Brian Keen.

<http://franchisesimply.com.au/franchise-test/> 

Brian Keen is a veteran of the franchise industry with more than 30 years' hands-on experience in all parts of the sector. With his team, he helps driven business owners who want more time and money to grow their business into a valuable asset.

www.FranchiseSimply.com.au 1300 960 136

