

## Interested in Franchising Your Business?



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### Consider The Following Issues

Franchising is a very popular way to expand one's business these days. A prospective franchisor however is cautioned to address the following non-exhaustive list of issues when considering whether to establish a franchise program, or it risks imminent failure:

#### Threshold Questions

- **Prototype.** How successful is the principal, prototype business?
- **Replication.** Can the prospective franchisor readily replicate the business so that others can benefit from the experience and advice of the existing operations? If so, is the operator capable of replicating the "look and feel" and branding of the prototype operation in a cost effective manner?
- **Rate of Return.** Can the prospective franchisee generate a reasonable rate of return on its investment after making the initial investment for the purchase of the franchise, paying the ongoing operational expenses for the franchise and after making the regular royalty, advertising contribution and other payments to the franchisor?
- **Operations Manuals.** Has the prospective franchisor developed detailed manuals for its operations and training courses so that potential franchisees can easily learn the system and be trained when joining the system?

- **Sufficient Demand and Pricing Strategy.** Is there sufficient demand for the product or service that would justify expansion by way of franchising?
- **Advertising and Marketing Advantages.** Is the prospective franchisor capable of taking advantage of the synergies associated with system-wide advertising campaigns?
- **Trade-Marks.** Does the prospective franchisor own trade-marks and other valuable copyrights, trade secrets, patents, or other proprietary rights that differentiate itself from its competitors?
- **Adequate Resources.** Does the prospective franchisor have the necessary resources and the drive and commitment to develop and manage the franchise system in addition to running the day-to-day operations of its own business (i.e., the company-owned locations)?
- **Financial.** Has the prospective franchisor examined the costs associated with implementing the franchise conversion strategy, including the cost to open each franchised unit, and the ongoing expenses related to the support and maintenance of the franchise system?

#### Additional issues to Consider

Finally, the franchisor will need to examine additional issues surrounding its business and its ability to franchise its operations in addition to the cursory list noted above.

A prospective franchisor is strongly encouraged to consult with its professional advisors before engaging in any initiative to launch a franchised business. Such professional advice should be solicited from a qualified franchise lawyer, an accountant and a banker intimately familiar with franchising and a franchise consultant.

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*This does not constitute legal advice. Please consult your lawyer. Joseph invites you to visit [www.intelligentfranchising.com](http://www.intelligentfranchising.com) or to call him at the number below for a free initial consultation.*