



## The Advantages of Franchising

### To Consumers

Franchising is booming because consumers like to purchase goods and services from familiar names with reliable standards of service and quality. They like to deal with businesses where the owner is on-premise.

### To Franchise Buyers

These are some of the advantages of buying a franchise:

- **Low Risk** - The U.S. Commerce Department estimates that 95% of franchises succeed; only 25-35% of independent businesses succeed. Why the difference? Since a franchise is usually a duplicate of an already successful business, it should succeed.
- **Quicker Startup/Higher Sales/Higher Profit/Increased Equity** - When a person buys a franchise he's getting start-up support and he's buying the "learning curve." As an alternative, if he were to start a similar independent business it would take longer to achieve the sales volume associated with buying a franchise. The trial and error stages have already been done by the franchisor and as a result, profits and business equity are built faster.
- **Be One's Own Boss** - Franchising allows an individual to feel the pride and independence of owning his own business.
- **Training** - The training an individual receives in a franchise should help him avoid mistakes and generate more volume and profits.
- **Support/Ongoing Assistance** - Ongoing support gives a

franchise owner quick access to help solve problems and a feeling of not being alone.

- ❑ **Collective Buying Power** - Collective buying power should help reduce costs of doing business.
- ❑ **Regional/National Marketing** - A chain of operating units can afford to generate far more exposure and advertising than can an independent, resulting in higher sales volume.
- ❑ **Systems/Policies/Procedures Already Tested and Established** - Tested and proven systems save development time and help prevent mistakes.
- ❑ **Trademarks** - Customer awareness of the franchise name is a tremendous benefit.
- ❑ **Mutual Destiny** - The success of the franchise owner is in the best interest of the franchisor.
- ❑ **Research and Development** - The franchise owner can utilize the research and development performed by the franchisor. This saves valuable time and capital.

### **To The Franchise Company**

These are some of the advantages of franchising your business.

- ❑ **Provides Expansion Capital** - The franchisee makes the investment to open the branch unit.
- ❑ **Fast Growth** - Franchising allows companies to grow quickly because the franchise buyer puts up the investment capital and provides "dedicated" management - thus freeing up the franchisor's time to open more units.
- ❑ **Quality On-Site Management** - Since the franchisee is more dedicated than a company employee, sales and profits will be higher, expenses will be lower, customer

satisfaction will be greater, and quality standards will be maintained. Today, most franchisees are well-educated, experienced, former middle managers.

□ **Fewer Day-to-Day Operating Headaches** - The franchisee makes the day-to-day operating decisions. They take care of employee problems, hiring, firing, etc.

□ **Less Corporate Overhead** - Since the franchise owner takes care of the day-to-day operating responsibility, the parent company support structure for franchise units is smaller compared to company-owned units.

□ **Faster Market Penetration** - Franchising can allow a company to penetrate the market quickly.

□ **Higher System-Wide Sales** - Research has shown that individual unit sales increase when converted to a franchise system. Because the owner is on site, a typical franchise unit will have higher sales than a company-owned unit. McDonald's® says that "We've discovered that the franchised restaurants do better than the company owned."

□ **Captive Market for your Products** - Franchising can provide a dedicated captive market to manufacturers.

□ **Financial Leverage** - Franchising provides a way to cash in on your experience and knowledge by selling it to others.

□ **Opens up Regional/National Account Opportunities** - Some businesses lend themselves to serving regional or national accounts, whereas a local independent couldn't service a national account.