

## Franchise is method of business

### Formula might ensure success; learn details

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Franchising is often described as a business or industry. That isn't the case. Franchising is a method of doing business. You can become a business owner under a franchise agreement. Under a franchise system, an individually owned business is operated as though it were part of a large company. The parent company acts as the umbrella organization, authorizing the franchise outlet to use its trademark and benefit from the image of a larger organization. Generally, the franchisor or umbrella organization will dictate standard design for business facilities; specify the use of certain equipment, products or services, and provide instruction on operating the franchise in accordance with the franchise agreement. Most people think of a franchise as being product- or service-oriented, such as with fast food, restaurant or hotel businesses. Franchises also can be found in the wholesale and manufacturing industries. Franchising offers many advantages to an entrepreneur. As a small business person, you can "buy into" a well-established venture, with a proven formula for success. This offers you significant odds for success when the franchise formula is followed carefully. The franchisor should provide solid advice (often mandates), site selection, management training, advertising, accounting and product research and development to aid the overall franchise organization's success. Greater efficiency and profitability result from uniform coordination. Is the concept of a franchise right for you? To make your business a success, you must be willing to accept the orders, vision and procedures set forth by the franchisor. Any ideas you might have for customizing the proven formula must typically be approved by the franchisor. In a sense, you forgo some of the independence you might have sought as an entrepreneur. The tradeoff in autonomy for the support system must be weighed against increased chances for success.

As in any small business, long hours and hard work are required. There is usually a long payout period in the business. With many franchises, it is likely to be three or more years before you can begin to take money, other than your salary, from the business. There is no guarantee, however, that you will earn a profit any sooner than if you started a small business on your own. Carefully evaluate whether a particular franchise is right for you.

The following factors should be considered:

How much money can you invest? Make doubly certain that you can afford fees charged by the franchisor. Your initial investment may require anywhere from a few thousand to several hundred thousand dollars.

Do you have the background necessary to make the business a success? Do you have experience in whatever field you are going to venture into? The franchisor will want to be assured that its good name and reputation will be in good hands with you.

Carefully study the terms of the franchise agreement. It is in your best interest to have your lawyer, accountant and a business counselor scrutinize the franchise agreement. Don't be hasty. Fully evaluate every aspect of the agreement before committing.

For instance, do you have a territory specific to the franchise?

Do you have a way to end the agreement if you wish to sell the operation? Do you have a right to sue if the franchise does not live up to the obligations of the franchise agreement?

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The Akron chapter of the SCORE Association offers free and confidential business counseling to aspiring entrepreneurs and business owners. For information, call 330-379-3163 or go online at <http://akronscore.org> on the Internet.

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