Title:
Three Signs Of A Franchise Winner

Word Count:
774

Summary:
There are over 2,500 different franchises for sale right now. Trying to choose the right one might seem like an impossible task. One that is even more intimidating considering the large financial investment at stake. If you are a first time franchise purchaser, where should you begin? The answer is not easy; every franchise is unique and there are hundreds of characteristics to review. That said, certain characteristics keep popping up when we examine the best franchises.

...

Keywords:
franchise, business opportunities, franchising

Article Body:
There are over 2,500 different franchises for sale right now. Trying to choose the right one might seem like an impossible task. One that is even more intimidating considering the large financial investment at stake. If you are a first time franchise purchaser, where should you begin? The answer is not easy; every franchise is unique and there are hundreds of characteristics to review. That said, certain characteristics keep popping up when we examine the best franchises.

Here are SmarterFranchise’s signs of a great franchise concept.

1. Multi-unit Ownership
The proof is in the pudding. The best indication that a franchisee is happy with his business is if he spends more money to purchase another unit or an additional territory. The logic is the same as why Honda has such a strong reputation in the car market. If your uncle Jeff has bought three Accords in a row, Honda must be doing something right.

For the most part, multi-unit owners start with one store which becomes so successful that the want a second and so on. In order to finance a second store, a lender will examine the first store’s cash flow. If a franchise wasn’t financially viable, it would be nearly impossible to open additional units.

Multi-unit ownership is also an indication of operational efficiency in a concept. With some franchises, there is so much work that is impossible for the franchise owner to focus on anything but day to day operations. The book, “The E Myth” talks extensively about this trap of getting stuck “working in your business” vs. “working on your business.” Even if you never plan to open multiple units, this is an important characteristic, because more likely than not, you would eventually like to retire or at least take a vacation one day.

Be wary of franchise owners who explain low multi-unit ownership by suggesting franchisees make enough money with just one unit. If there is one thing history has shown, people rarely decide they have “enough” money.

2. Proven Franchisor Track Record
There are three items two think about when examining the franchisor’s track record. The first is an understanding of how much risk there is that the franchisor might go out of business. Unfortunately, many of the 2,500 franchise concepts available just won’t make it as sustainable businesses. If you purchase one of these concepts, you may lose much of your investment.

Second, the franchisor’s track record should give you an indication about the quality of the concept. Did the franchisor own several successful stores for many years before deciding to franchise his concept or did he just decide one day that there was good money in franchising so he better come up with a concept.

Third, franchisors with longer track records have more established training and support programs. While you might save a few thousand dollars buy getting into a franchise early, chances are you won’t get much for your investment. New franchisees haven’t had the time to put together development support or training programs or marketing campaigns. Also, if you are one of the first buyers, you are the guinea pig which often means more risk. Maybe a new food concept works great in a mall food court or maybe it doesn’t? Wouldn’t be nice if you weren’t the one who had to run the experiment?

3. Strong, independent franchisee association
Unfortunately, the unspoken reality is that the franchisor’s and franchisee’s interests aren’t always aligned. Eventually, there will be disagreements over finances, marketing programs or development issues. Knowing that issues are sure to arise, it is helpful to know that you will have an organized group of franchisees who can relate to your situation. Independent associations have many benefits. In addition to creating leverage for the purpose of negotiating with

the franchisor, an association also can improve communication among franchisees. Independent associations also allow members to pool resources to hire competent professionals such as lawyers or financial advisors or marketing consultants. Finally, like with any organization, a collective, institutional memory is created. The AFA has an excellent article on associations here.

It is also a negative sign if the franchisor goes out of its way to discourage an association. It usually means that the franchisor does not have the franchisees best interests in mind and is afraid of having to deal fairly with franchisees.

In addition to independent associations, franchisees may also develop a coop to purchase goods at a discount or control a portion of the system’s advertising budget or develop a lobby group for a specific issue. All of these our good signs.