

Title:

How Much Does A Franchise Cost

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Summary:

How much does a franchise cost? Of course the cost of obtaining and starting a franchise depends on several variables. For instance, the type of industry, size and location are some of the differentiating factors.

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Article Body:

How much does a franchise cost? Of course the cost of obtaining and starting a franchise depends on several variables. For instance, the type of industry, size and location are some of the differentiating factors. However, there are some basics that you could keep in mind if you are contemplating becoming a franchisee.

First of all, you will usually have to pay a franchise fee, which averages somewhere between \$20,000 and \$30,000. However, the fee could be less than \$10,000 for businesses such as mobile and home-based businesses, or in some cases could possibly cost \$100,000 or more. A few examples of these more expensive franchises include building maintenance businesses and some types of athletic training facilities.

Since you are gaining the advantage of taking part in an already recognizable business name, and usually ongoing support from the franchiser as well, franchisers typically stipulate that a potential franchisee meet other financial requirements. A predetermined amount of readily available funds that are not borrowed is usually a necessity as well as a certain net worth. In order to pay for ongoing expenses that are not covered by revenue you will also need a guaranteed amount of working capital. Depending on the type of business, it is important that the working capital cover a particular length of time, ranging from a few months to possibly two to three years until the business is in full swing. The franchiser typically provides an estimate of the amount needed.

Besides the franchise fee, other up front costs could include professional fees such as legal and accounting services, insurance, and operating licenses.

Employee training, inventory, and equipment are usually part of the startup as well. Also plan on, rent and possible leasehold improvements, and other costs involved in setting up a retail location including the purchase of fixtures, signs, and landscaping. You may also incur grand opening and initial promotional expense to get the business going.

Keep in mind that many times a higher initial investment does not necessarily mean a higher return. Often times franchises can be started with a total initial investment of less than \$200,000 and sometimes even less than \$50,000. Some home-based business such as handyman franchises and marketing franchises provide a decent return with little up front cash.

Ongoing, you will need to be prepared to continuously pay royalties to your franchiser, possibly 4 to 6 percent of your revenue. Also, insurance (liability and health), inventory, and equipment maintenance would be continuous expenses. Of course, there will be employee salary and benefits. Additionally, you may be required to pay into a national advertising fund.

Before making a decision on a franchise, it is important to obtain from the franchiser a copy of the Uniform Franchise Offering Circular (UFOC), also known as the disclosure document. The up front fees are outlined in this circular. The document should describe the initial fee which may be non-refundable as well as the other startup costs. If there are any items that you believe might be a startup costs that are not mentioned in the disclosure, be sure to ask about them.

All in all, you want to be sure your financial situation will cover expenses for you and your family during the time it takes to get the business up and running. This may take several months or a bit longer than that. Keep mind your operating expenses as well as personal expenses for the first year or two in business. In order to have the best chance of success with a franchise, it is recommended you contact a franchise consultant to discuss your goals and finances.