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Successful Franchising – What does it take?

Do you have what it takes to be a successful franchisee? If you decide to start your own franchise business, how can you be sure that you'll have success like a "Bill Gates" rather than an experience that brings to mind "Barney Fife"?

Everyone who has seriously considered buying a franchise business has at some point in time wondered if they "have what it takes" to be successful. You find yourself saying, "Sure, all those other franchisees seem to be doing fine ... but will I?"

There are two things that you can do to help answer these questions for yourself. The first is to evaluate yourself on the success factors common with all franchises. The second is to conduct a careful investigation of whatever franchise you're interested in to determine the unique characteristics of successful franchisees in that particular system.

It's normal to be nervous and doubtful at some point in the process of deciding to get a franchise. For most people this is a decision with the potential to have more impact on their life than virtually any other. How can you be sure that you'll measure up and achieve the success that is your motivation for getting involved? The following self-test will help you determine where you stand in relation to these questions.

Rate yourself on the following categories, 1-5, where 1 is the best (Bill Gates) and 5 the worst (Barney Fife). Here's what you'll need:

Goal Orientation. Successful franchisees are invariably goal oriented. They have a clear idea of what they want to accomplish and how they plan to do it. Their goals are written down and they refer to them regularly. Does this sound like you? Can you form this habit and make it part of your everyday activities?
① ② ③ ④ ⑤

Decisiveness. Successful franchisees are decisive people. They gather whatever information they need to make smart decisions and then they act in a timely manner. They are not procrastinators. Does this describe you and are you comfortable with this process? ① ② ③ ④ ⑤

Leadership. Leadership is not given it's taken. Are you the type of person who normally takes charge in work settings? Do you feel comfortable accepting the responsibility that comes with making decisions and dealing with the results of those decisions? Do others seem to follow your lead or are you usually part of the crowd? ① ② ③ ④ ⑤

Honesty. There is no attribute more important to success in a franchise relationship than integrity. This applies to your relationships with employees, vendors and the franchisor. You need to be the type of person whose personal values and morals are beyond question. Is this an area of strength for you?
① ② ③ ④ ⑤

Moderate Risk Taker. Franchisors are not looking for people who are daredevils. They also don't want to work with people who are dominated by their fears and concerns to the point where they can't take calculated risks. They want to work with people who are willing to accept risk in a business setting but only after gathering information and determining how to minimize the risk. What is your risk profile?

① ② ③ ④ ⑤

Coachability. The strength of franchising is that a good franchise has a system that shows you exactly how to operate the business. Franchisors are not looking for people who want to reinvent the wheel. They want people who will execute a proven system to obtain predictable results. Are you comfortable following and executing someone else's system and giving up the control that this implies? ① ② ③ ④ ⑤

My score

After rating yourself on this self-test, you'll determine a score of from 6 to 30. Obviously, a 6 would be great for a prospective franchisee, but remember that honesty is an important characteristic so you're probably above this score. Anything lower than a 15 indicates a good general aptitude toward becoming a franchisee. Any score above 20 suggests that you should decide on something else to do.

In addition to looking at the total score, look carefully at any individual score that is a 4 or a 5. These indicate a strong potential for trouble with any franchise system. Recognize and remember this factor and look for a franchise where you feel that this high score will cause the smallest challenge to your success.

The second thing you can do to help ensure that you will be a success as a franchisee is to conduct a careful investigation of specific franchises to determine what it takes to succeed in that system. The best sources of information about any franchise are the existing franchisees.

When you receive the Franchise Disclosure Document (FDD) disclosure document from a franchisor, it will contain a list of the existing franchisees. It is up to you to call them. The key to these calls is to make enough contacts so that you have an accurate and complete picture of the business from a franchisee's perspective.

You should select a mix of franchisees to call that represent every differentiation that might provide varied input for you. This means you'll want to call franchisees that are new and old, successful and struggling, men and women, and from varied locations around the region or country. Make sure you have an adequate sample of existing franchisees to call.

When you call these franchisees, you'll typically want to determine information on three main factors. These are:

The Franchisor. You want to determine what kind of people you'll be dealing with if you become a franchisee. What are their values and actions like once you become a franchisee? Is the franchisor helpful when there are problems? What exactly do they do to support the franchisees? Do the franchisees like the franchisor? Would they get into business with these folks again knowing what they know now?

The Operations. You want a clear picture of what your life will be like if you become a franchisee. What hours do the franchisees devote to the business? What activities do they spend most of their time on? What do they like best and least about the business? What is the critical path to success as a franchisee? Knowing what they know now, what would they do differently if they had everything to do over again? Would they still want to be a franchisee in this system?

The Finances. You need to have realistic expectations about the total investment that the business is going to require and the amount of income that it can produce. Make sure that the total investment figures include adequate working capital amounts and verify all the other investment estimates in the FDD with each franchisee. Determine what is realistic in terms of income and the time frame that it can be realized. How long does it normally take to reach break even? How much income is realistic in the first, second and third years? Thereafter? What is the most important thing that a franchisee can do to influence these income figures?

After you call enough franchisees and get these questions answered, you'll have a pretty clear idea of what it takes to be successful in this particular franchise. Then ask yourself if you've got what it's going to take to be a success in this franchise. If the answer is doubtful, move on and investigate a different franchise.

There are many good franchise companies but no franchise is the right one for everyone. Keep looking until you find the one that seems to match up well with you and you will end up not only happy but successful. And, you will have moved closer to Bill Gates!

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