

## How to decide if you are cut out to be a franchisee

By: Michael H. Seid and Kay Marie Ainsley, Managing Directors, Michael H. Seid & Associates (MSA)

Question: I am thinking about leaving my job and starting my own business. I have read about all of the advantages of buying a franchise but I don't know if franchising is right for me. Is everyone cut out to be a franchisee? How can I know if buying a franchise will be the right decision for me? Should I become a franchisee?

There are so many advantages to starting a business by joining an established franchise system that many people think that it is always the best way to go. For many, franchising is the perfect choice. Established franchisors provide you with a strong brand name that consumers recognize and that often that translates into an immediate customer base. The franchisor has training programs that teach you how to run the business and support programs that give you assistance and advice once you have the business up and running. All of the decisions regarding what type of site to look for, how to develop the location, what types of equipment you will need, where to get the equipment and countless other start up questions can be provided by a well established franchisor. Most importantly, the franchisor can help you project how much money you will need to get the business started and how much working capital you will need to keep it going. Not being able to estimate the amount of money you will need is one of the pitfalls of starting a new business.

Becoming a franchisee in a well-established franchise system has many advantages over starting a new business independently but becoming a franchisee is not for everyone.

Articles on franchising often use the term entrepreneur to describe a new franchisee. Franchisees however are not entrepreneurs in the classic sense. Entrepreneurs want to make their own decisions. They like to experiment with the menu, the services, the décor, the advertising, the staff's uniforms, their suppliers – they have the need to develop and operate the business based upon their own vision of how things should operate. If a true entrepreneur were allowed to operate a franchise there would be little consistency between one location to the next. Consumers stopping off to get their favorite hamburger might find that their local McDonalds, Burger King or Wendy's was now serving Chinese Food – because that's what the owner decided he wanted to offer in their restaurant. It would be pretty confusing.

Franchisees on the other hand are "Entrepreneur lites". They are provided with a system of doing business and within great franchise systems standards on how to use the system. The secret of success for most franchised chains is that the consumer can't tell whether it is company owned or franchised based upon the product or service offered or its quality standards. Unless they happen to notice the sign behind the counter that tells them that the business is independently owned and operated, they

would assume that all of the restaurants under that brand were owned and operated by a single company. It is the promise of consistency that drives customers to a franchisee's door.

An "Entrepreneur lite" takes the basic system and makes it better. Not by changing the menu but by providing better service, cleaner bathrooms or having a staff that is trained to provide great customer service. A great franchisee improves upon the performance of the system simply by executing it better.

But consistency from location to location requires that franchisees follow the rules provided by the franchisor. In making a decision about whether you are franchisee material, ask yourself some simple questions:

- Do you always have to be right? Will you be able to follow the directions of the franchisor even when you think you know a better way? Are you prepared to accept coaching and advice from the franchisor on how you operate your location?
- Do you have the need to experiment with your products and services? If you happen to like well-done hamburgers will you be satisfied if the franchisor's recipe requires them to be medium rare? If the franchisor's concept is restricted to customers coming to your location to make a purchase, do you have a burning desire to buy a truck and make deliveries to customer's homes – even if that is not part of the franchisor's concept?
- Do you think of yourself as a great advertising genius? If the franchisor provides you with advertising material are you going to want to change it all the time? Do you think that your market is different from everyone else's and are you going to expect the franchisor to modify their brand message just to suit your wishes?
- Do you play well on a team? Other franchisees are relying upon you to offer to the consumer a consistent level of service, product quality and brand message. You are going to have to work with others in the system in making decisions. All of these decisions will have some impact on your business and you will often be required to follow the majority's determinations, even when you personally do not agree. Will you be able to do this?
- Franchisors are going to want you to share with them information about your business and sometimes the information they request may seem very personal to you. They will want you to send them reports and even may require copies of your tax returns. Field staff will be making periodic visits to your location's and will be asking you questions and wanting to look at some of your records. Even when you understand that the reason they need the information is to help you operate your business better, are you prepared to provide them the information and listen to their advice?

If you can't honestly answer each question with a "yes", then you should reconsider becoming a franchisee of a strong franchise system. You simply won't be happy in the long run with your loss of control.

You may find some franchise systems however that have fewer standards and less controls and let their franchisees operate like entrepreneurs. For those individuals who could not answer the questions above with a "yes", those may seem like the perfect solution – a franchise system that allow you do what you like. The unfortunate thing though is those are not systems, they are just businesses sharing a common name. In the not to distant long run, the price you will pay for lack of consistency from location to location will be very expensive as the power of the brand will vanish in consumer confusion.

Should you become a franchisee? We can't answer that question for you. Your answer will come from an honest assessment of yourself. The advantage of franchising can be many but clearly for the true entrepreneur owning a franchise is not going to make them happy for very long.