
FRANCHISING – THE SAVVY BUSINESS OWNER’S POT OF GOLD

Build. Franchise. Expand®

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Are you looking to expand your business? Is your current business growing and are you considering expanding it into new markets? If so, then you are probably eager to figure out the best way to both expand your company and minimize your level of risk.

One proven method that has been successfully used by many of today's globally recognized brands is franchising.

By turning your enterprise into a franchise, you can expand rapidly with minimal cost or risk to you. While there are pros and cons to franchising, nearly all companies have experienced incredible success through franchising.

In this book, we are going to dive deep into the concept of franchising so that you can intelligently decide whether franchising is the best expansion strategy for your company.

What is a franchise?

Before we can get into the advantages of expanding your enterprise through franchising, it's crucial that you understand what makes a franchise system unique.

The basic structure of a franchise is that the parent company (the franchisor) grants a license to a subsidiary (a franchisee) to operate a business utilizing their brand and trademark.

The primary ingredients for a franchise are the brand name, the types of products and services that the business provides as well as a support and training system in order to ensure consistency across franchises.

To put it into simpler terms, let's assume that you own and operate a successful sandwich shop. When you franchise your sandwich shop, you are essentially licensing everything, including your shop name, your sandwich recipes, your sources for product purchases and your marketing know-how to a third-party owner, who will copy your business model and run things the same way as you.

Technically speaking, each new franchise location runs independently and separate from the parent company, however it benefits from the existing branding, know-how and the experience of the parent company.

As a franchisor, you are relinquishing operational control of that particular unit to an individual that has been vetted by you as a person who meets your criteria for operating a business like this and who has gone through an extensive training and has successfully passed this training. This person has made a significant financial and time investment into opening this business and because of this he/she has a fully vested interest in this business and therefore cares for the day to day operation of the business and the goodwill of the name, just like the business owner (franchisor) does.

How does a franchise system work?

When first starting a franchise system, you must begin to incorporate a set of systems and procedures in place for each franchisee to follow. These systems are typically detailed in a document usually referred to as the Franchise Operations Manual. The operations manual includes everything from the operating hours, opening or closing procedures, cleaning, customer service, list of products or services offered, pricing ranges, all the way to the day to day operations of the location. This document become a reference guide for franchisees to follow in order to better operate their location. The more detailed this document, the less support calls you will receive from your franchisees.

Overall, the responsibility of a franchisor is as follows.

- **Trademark:** As a franchisor, you must have a federally trademarked brand. At the very minimum, you must have applied for a trademark through the U.S Patent and Trademark office. You are responsible to protect the brand and make sure that you identify and notify any potential infringers.
- **Branding:** You are responsible to promote and market the brand. Each Franchisee typically contributes a small percentage of their gross sales on a weekly or monthly basis towards a national marketing campaign. Your job is to ensure that the money received from all franchisees is handled for the sole purpose of promoting the brand in geographic areas where franchisees exist.
- **Training:** You will make sure that each unit is trained according to your system. You provide a pre-opening training for the franchisee, its manager and key staff. This training is typically conducted at your location. Franchisee is typically responsible for their staff's travel costs. You also provide on-going and refresher trainings.
- **Support:** You provide on-going support to your franchisees. Both you and your franchisee have a vested interest in seeing the store/business do well and be successful. If a store is losing sales, you will provide any necessary assistance to help it regain market share and stay competitive. The last thing you want is to see a stores close. It definitely has a negative effect on your franchise system.
- **Proprietary Materials/Approved Vendors:** Branded material such as uniforms, cups, napkins, etc., should be provided by you to your franchisees or should be arranged to be provided by a third party supplier to your franchisees. You also select vendors that are capable of providing products or services needed for the daily operation of your franchisees. These vendors are introduced to franchisees as your only approved vendors. You should update this vendor list from time to time as needed.

- **Annual Convention:** Franchisors typically hold an annual gathering for all franchisees to attend. Although this is not mandatory, but it definitely recommended. This is an opportunity to recognized your harder working franchisees and motive others. This is also a good platform to introduce any new products or services and provide a roadmap for the upcoming year.

Conversely, the franchisee is responsible for everything else, including:

- **Finding a Location:** Franchisee is responsible for finding a location for the business. Once franchisor approves the proposed location, then franchisee is responsible in obtaining a lease for that location.
- **Build-out:** Franchisee is responsible to hire all necessary professionals including an architect, general contractor, etc., in order to complete any necessary construction before the unit is ready for grand opening.
- **Permitting:** Franchisee is responsible to obtain all necessary federal, state, county or any other required permit and provide copies of that to franchisor.
- **Grand Opening:** The grand opening must be planned per instructions from franchisor.
- **Daily Operations:** ensuring that the business runs smoothly and that management adheres to your operational standards. Franchisee is responsible for inventory management, customer service and all other aspects of the business.
- **Hiring and Training Employees:** Franchisee is the only entity responsible for this and franchisor should never get involved in anything related to pay rate, benefits, bonuses, etc.
- **Financial Management:** Franchisee runs the business like any other and therefore he/she is responsible for all financial aspects of the business and is also responsible for paying all necessary county, state or federal taxes. This also includes paying all amounts due to franchisor, including the royalty on a timely basis.
- **Marketing and Advertising:** The business should be advertised in the local market per standards set by franchisor. Franchisor typically sets minimum advertising limits for local advertising. Franchisee also contributes to a national advertising campaign that is handled by franchisor.

As a franchisor, you don't get involved in franchisee's day to day business operation as long as they are following your guidelines.

Statistics about Franchise Systems

To help you get a better idea of how effective this kind of system is, here are some statistics. These stats are related to franchising in the US.

Franchise System as a Whole

Overall, franchises grossed \$889 Billion in 2015. This revenue was spread out across 781,991 franchise units in the United States. Franchises continued to see growth of as high as nearly 7%. In 2016, franchise units grew by an additional 14,000 units.

Franchises as Employers

In 2015, this sector employed 8.8 million workers. Compared to other business sectors, franchising added more employees at a rate of about a million per year for the five years leading up to 2015. The average growth rate for new hires was approximately 2.6% annually during the same period.

Top Five Franchises

According to Forbes.com, these are the best franchises in the US based on a mixture of overall sales, number of units, and stability in their respective markets.

#1 7-11

- Company Owned Stores: 505
- US Franchises: 8,355
- International Franchises: 50,712

#2 McDonald's

- Company Owned Stores: 5,075
- US Franchises: 13,109
- International Franchises: 18,827

#3 Dunkin Donuts

- Company Owned Stores: 0
- US Franchises: 8,884
- International Franchises: 3,403

#4 The UPS Store

- Company Owned Stores: 0
- US Franchises: 4,622
- International Franchises: 357

#5 Jimmy John's

- Company Owned Stores: 63
- US Franchises: 2,651
- International Franchises: 0

Franchising by Sector

Although many different kinds of businesses can expand via franchises, only a handful of industries use it as a standard method of growth. The top sectors that utilize franchising the most are:

- **Quick Service Restaurants: 20.8%**
- **Maintenance (Cleaning, pest control, etc.): 12.6%**
- **Personal Care (Fitness, senior care, etc.): 12.6%**
- **Children's Businesses: 8.2%**
- **Retail: 6.4%**
- **Hotel and Motels: 5%**
- **Automotive: 4.2%**
- **Home Improvement: 3.8%**
- **Full Service Restaurants: 3%**
- **Pet Care: 1.8%**
- **Other Services: 21.6%**

According to the data shown above it's obvious that the food sectors represents the highest number of franchises. But in reality other sectors, some that even brand new to industry are making a move to take a chunk of the market share. People are searching for something new, something fresh, something that provides a quick ROI with the lowest operational overhead. It's also noted that recently consumers are opting for franchises that rely on fast casual service rather than drive-thru. Businesses in other sectors are also looking to add a bit of uniqueness to their approach in order to attract franchisees that are willing to invest in their brand.

Growth in Franchises

For top contenders, the best method of expansion is breaking into markets overseas. However, not all business models translate well in different countries. While something as universal as 7-11 can be successful just about anywhere, companies like McDonald's and the UPS Store have seen a decline in international franchises.

Home health care is one of the fastest growing sectors for franchising, with about 30,000 units earning a combined total of \$70 billion. This industry is expected to grow significantly in the coming

years as baby boomers and retirees require more healthcare services than before. Elder Care is expected to earn up to \$400 billion by next year.

Entrepreneur magazine® lists the top 10 hottest industries in franchising annually and for the past number of years industries related to children, elderly, pets and fitness continue to make the list of the hottest and the fastest growing franchises.

Advantages of a franchise system

For Franchisors

- **Low Cost of Expansion:** All of the funds necessary for opening a new store/business is paid by the franchisee, meaning that the parent company (franchisor) doesn't have to spend money or time in order to get a new unit up and running. In fact, franchisors typically even make a profit in this transaction by collecting an initial franchise fee from the franchisee. This franchise fee is typically in the range of \$20,000 to \$60,000 (a few are lower or higher than this range).
- **No Operational Hassle:** since all operations are handled by the franchisee, the parent company only has to worry about the training and support.
- **Residual Income:** Franchisees pay a percentage of all their sales to franchisor on a weekly or monthly basis. This royalty is paid in order to compensate the franchisor for their support and the use of their knowledge, experience and their trademarked brand.
- **Expansion with Other People's Money (OPM):** Since franchisees pay for their build-out and operational cost and since franchisees also contribute to a national advertising campaign, the system grows on franchisee's dime.
- **Local Market Expertise:** Franchisees have a much better knowledge of local markets which is helpful in advertising and marketing.
- **Operational Control:** Allows franchisor to maintain full control of the business, products, services, and pricing. Franchisee is contractually required to follow franchisor's direction on everything related to the operations of the business. This includes the quality of products and services, where to buy inventory, pricing, customer service, etc. Franchisees must follow your guidelines or they lose their franchise.
- **Cash Infusion:** Franchisor collects an initial franchise fee and on-going royalties which funds franchisor for developing new products and services.
- **Buying Power:** Franchisor's buying/negotiating power improves with each franchisee. Lower prices equal to higher profits.

- **Idea Sharing:** As the system grows with more franchisees, there will more vested people with great ideas about the business which can benefit the growth of franchisor's business.
- **Improved Valuation:** Having franchises may be as valuable as physical assets. With each franchise location, the valuation of the franchised company as a whole may be significantly increased for a potential buyer. This valuation also depends on the speed of growth and the success of each franchisee.

For Franchisees

- **Training:** Franchisor passes its years of experience in running this business and its full know-how to franchisees through the initial on-boarding training. Many costly and time consuming mistakes are avoided by franchisees.
- **Time to Market:** Since the brand, the logo, the website, social media, marketing and sales material are already professionally developed and are immediately available, franchisee can start the business much faster with a much smaller investment.
- **Increased Marketing:** Since promotional materials are typically designed and developed by franchisor, as a franchisee, your new business has access to a wider range of advertising services.
- **Brand Recognition:** Rather than trying to make a new idea a new brand work, franchisee starts the business building off of a proven system. A professional website, social media and a federally trademark brand has already been established by franchisor prior to the launch of franchisee's business. Also, by contributing a small money to the franchisor's national advertising campaign, franchisee participates in a much larger campaign that benefits branding on a much larger scale.
- **Funding:** Franchises are more stable and have a by far higher chance of survival than a regular business. In fact statistically the percentage of franchises that close after one, two or five years of operation is significantly less than non-franchise businesses. Therefore franchises present by far less risk to for lenders and banks, so they are more willing to lend for startup costs at lower interest rates.

Why franchise your business?

There are several benefits by franchising your business. Here are the top reasons to start franchising your company.

- **Rapid Expansion:** Since you don't have to front capital for startup costs, you can break into new markets much quicker than if you waited to do it yourself. In some cases, delaying your growth could allow a competitor to take your market share.
- **Wider Marketing Network and Brand Recognition:** Rather than relying on a couple of locations to promote your brand, you can now utilize your franchises as a means of increasing brand awareness, which will help stimulate further growth. In addition, weekly or monthly funds received from each franchisee for the purpose of national advertising, allows you to have a large advertising and marketing budget, which you would have never had on your own.
- **New Revenue Streams:** You can earn money directly from franchisees from both initial franchise fees and royalties, which you can then use to build your business infrastructure even further.
- **Operational Relief:** If you are trying to manage multiple units by yourself you will get burned out. However, the vast majority of franchisees are working hard to ensure that your brand is well represented. With each new unit, you are bringing another manager into the fold, which you can utilize as a resource.
- **Liability and Control**
As a franchisor, while your business is operating in multiple locations, you are taking on much less responsibility.

The franchise disclosure document, a legal and comprehensive document necessary for the operation of your franchise as required by the Federal Trade Commission, includes a franchise agreement. This agreement, if developed carefully, provides many protections for you which limits your liability significantly. Furthermore, franchisees are typically required to include the franchisor as additionally insured on their insurance policies.

But as a franchisor, you must realize that with each new franchise, you now have a new operator who is going to run your business at a location that might be hundreds or even thousands of miles away from you. Each franchisee is fully vested and committed in the operation of the business. Just like you would, they will do everything in their power to ensure that the business is run properly and becomes successful. But this success and the methods used in order to achieve it rely heavily on your guidance and assistance. The day to day operation of the business must be fully documented in a document known as the franchise operations manual. The manual provides a guidance for franchisees to follow. The initial and on-going training provided by you to each franchisee plays a huge role in the ultimate success of each operator.

- **Profitability**

Business owners select to convert their operation into a franchise model because it offers a huge slew of advantages for growing and expanding their model into various locations. However, the model is designed such that each operator is fully responsible for the day to day operation of the business and all expenses associated with the opening and operating the business. Therefore, naturally the operator (franchisee) is fully responsible for the profits and the losses of the business. If the business suffers losses, those losses are fully the responsibility of the franchisee and similarly with respect to profits, the majority of the profits are kept by the franchisee and only a small portion is passed to the franchisor in the form of a weekly or monthly royalty.

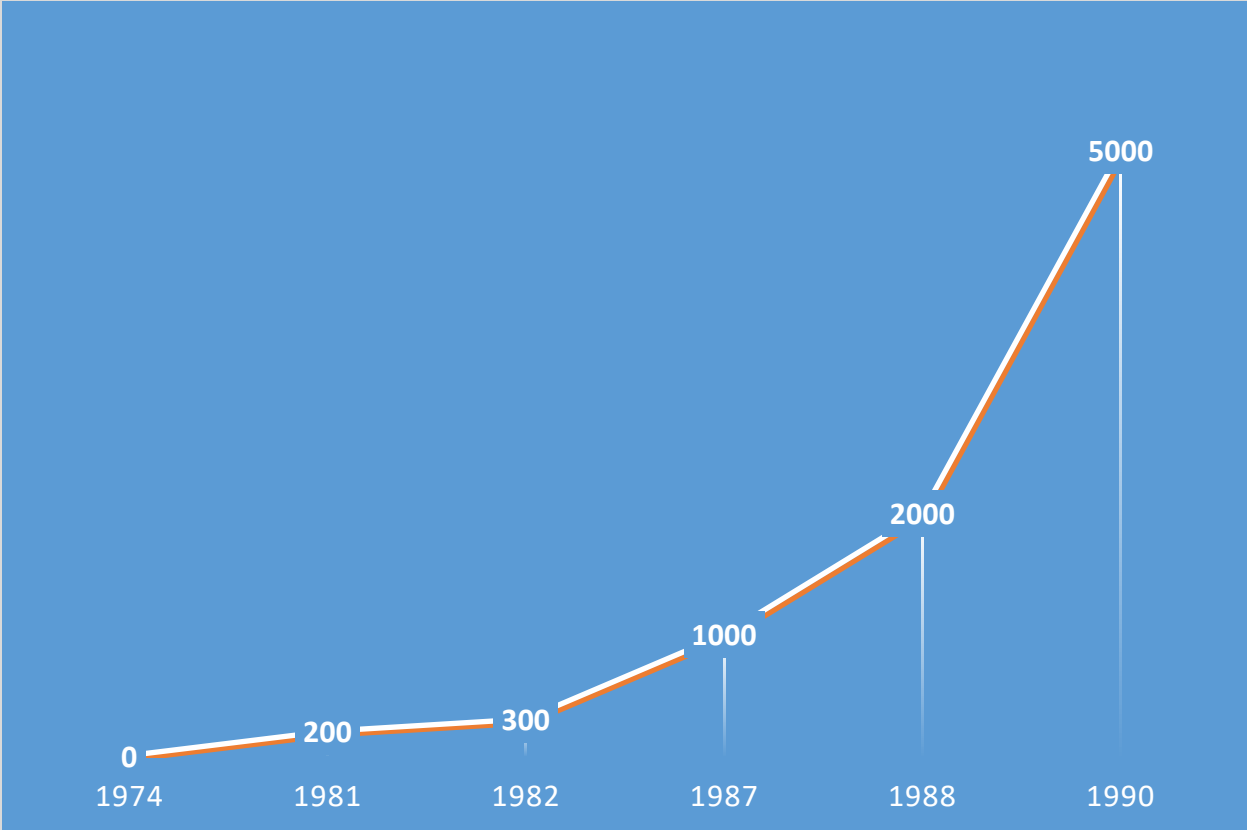
Royalties are typically in the range of 4-10% of the gross sales earned by the franchisee. So although you don't make the full profit from each location, you don't incur any of the costs and also have no need to be involved in the day to day issues related to operating a business. Even though the franchisor's per-store earnings are lower, since more units are opened faster through franchising, franchisors are able to make significantly more money through franchising.

- **Valuation**

When you franchise your business, with each franchise locations added to the system, the valuation of your company is significantly increased. The valuation of your business is heavily depended on the speed of your unit-growth, the financial health of your system as well as the success of each locations which translates into higher sales and therefore higher royalties. As a company, you want to build assets into your brand to create more value for your business. The higher valuation can be leveraged for things like lines of credit and ultimately mergers and acquisitions.

- **Franchise System Growth**

Franchise systems typically begin growing in a linear format and at some point the growth becomes exponential. The chart below shows the growth of Subway as a franchise system which follows this concept:



Subway Franchise Growth

<u>Year</u>	<u># of Franchises</u>
1974	0
1981	200
1982	300
1987	1000
1988	2000
1990	5000
2010	25000
2016	44000

Traditional business expansion vs. expansion through franchising

Your Money vs. Other People's Money

Expanding your business requires money. When you open a second or third location on your own, you need to come up with money to fund all initial start-up costs including real estate deposits, build-out expenses, permits, professional fees, inventory costs, employee salaries, rent and all other operational expenses, until the business becomes profitable.

However, if your business was a franchise operation, when you sell a franchise to a new franchisee, they are fully responsible for all start-up costs. They handle everything from finding a site, obtaining all permits, hiring an architect for the plans, a General Contractor for the build-out all the way to hiring employees and spending money on grand opening. So in reality as a franchise, you pass all opening expenses to a third party. In fact, franchisee must also pay you an initial franchise fee, which can typically range anywhere from \$20,000 to \$60,000. This money is to compensate you for the use of the brand, your know-how and the training. So under a franchise operation, since you are not fronting the money, you can spend significantly faster.

Vested vs. Non-Vested Operator

When you open a new location, since you can't be in many places at the same time, you need to hire a manager to manage the day to day operation of your business. This manager is simply an employee who has no vested interest in your business. If he doesn't follow your operational guidelines, his highest punishment is that he would lose his job.

When you expand under a franchise structure, your franchisees are responsible for the day to day operation of their business. Just as you did when you started your business, they invested a significant amount of money to launch their business and therefore are fully vested in their business. Not following guidelines that have proven to work in one or more other locations is not at all to their best interest. They also realize that by not following your guidelines as described in the franchise operations manual, can result in losing their franchise. This is why the system works perfect under a franchise structure and all locations work so flawlessly and consistently.

So in reality and contrary to what some people believe, the brand integrity is by far safer under a franchise operation than if you were to grow into more locations on your own. This is also evident when you see that some of the world's largest and most respected brands are actually franchises.

Liability

If you are growing your business by itself without franchisees, then that means that you are liable for everything that happens. This includes permits, regulations, employees, and customer safety.

This liability can not only translate into legal issues, but also financial stakes as well. Since you are responsible for everything that happens, if something goes wrong you have to pay for it, sometimes literally.

With a franchise, however, that liability falls onto the franchisee. While you still take on some of it, you can pass the burden of responsibility to your franchisees.

On the one hand, you may see this as relinquishing control over daily operations, but on the other, it can free you from a lot of the headaches that come with running multiple units. The franchisee handles everything from customer service to back-end details, so all you have to worry about is whether they are following your operational guidelines.

Operational Headaches

Opening more locations on your own means that you have less money and less time to spend with your family or on your hobbies. You'll find yourself working more and more every day trying to catch up with the operational needs of all your stores/locations. With each new store, you take on more work related to employee issues, inventory management, advertising and marketing, customer service and accounting.

As a franchise, each franchisee is responsible for their own operation, leaving you with ample time to spend on what you enjoy the most.

Expansion in Other States or Countries

When you expand your business on your own, you are limited to opening locations near you as you have no way of controlling stores across the country. As a franchise, each franchisee is overseeing the operation of their store and therefore you can begin to expand to other states or countries soon after you have a proven support system. But it is highly recommended that your first franchise unit to be in a close proximity to you. Your first few franchises require the highest amount of support as you set and perfect your operational guidelines.

Franchises typically grow from the center out, which is also referred to as the "ripple effect". Meaning that your first franchise is near you, and the next one is a bit farther and the next a bit farther and so on.

Franchisees that open a franchise in another state or even a country reside in that area and therefore are by far more familiar with the local culture and advertising methods than you. Therefore, they have a higher chance of being successful in running the business than you would.

Franchising, A Parallel Path for Expansion

When you franchise your business, you are simply introducing a new expansion strategy for your business. This strategy does not necessarily replace your current strategy of expansion on your own. You can continue to open your own locations in areas that you like and therefore avoid selling

franchises in those areas/cities. In contrary, some business owners sell their company owned locations to new franchisees and therefore only manage the franchise system as a whole. It is highly preferred that the owner keeps at least one location open as company owned, so that he/she can conduct all franchisee trainings in that location. This location will also be the testing ground for all new products or services before they are introduced to franchisees. Franchisees also prefer that you are a hands-on operator and therefore can better relate to their day to day issues.

Most companies that wind up franchising decide to have a mixture of both company-owned and franchised units. The best way to do this is to have a plan in place so that you can maintain the precise level of control over your business as you want.

Why would someone buy your franchise?

As an entrepreneur, your primary goal is to be successful with your business. However, if you are starting from scratch, then success can be much harder to obtain. Thus, starting a franchise is a fantastic way to own your own business without having to worry about whether the idea will catch on or become profitable.

Overall, here are the main reasons why people choose franchises over building their own business.

Support Network

As a franchisee, you already have built-in support from the company and all other franchise owners. Because your success is everyone's success, there is an incentive to provide you with more tools to ensure that your business doesn't fail. This can be hugely attractive to any self-starting entrepreneur.

Built-In Marketing

Not only do you get traditional marketing materials for your business (i.e., flyers, internet ads, etc.), but the fact that there are multiple locations helps increase the overall profile and market share. Again, the success of each franchise builds on each other, meaning that you have a much more expansive reach than you would otherwise.

Funding

Typically, if you want to start a business, you need to either find an investor or borrow money from a bank. If you are trying to use your own idea, you may or may not get the backing you need for success. However, if you're planning to franchise an existing business, you are seen as less of a risk, meaning that it's much easier to get funding.

How is a Business Franchised?

Franchising your business offers many new opportunities and benefits that help grow your business exponentially. However, you must fully understand these benefits in order to fully take advantage of

them, as a franchisor. Franchising is fully regulated by the Federal Trade Commission. Before you can begin offering and awarding franchises in your business you must have a set of documents including a legal document referred to as the Franchise Disclosure Document, also known as the FDD. Some states require that the FDD is fully reviewed and registered in those states before a franchisor can begin offering franchises in those states. Other states may require a simple filing before the offering can begin.

Franchise Disclosure Document (FDD)

FDD is a legal document created based on NASAA Guidelines set forth by the Federal Trade Commission. NASAA stands for North American Securities Administrators Association and is developed to provide a comprehensive protection to the consumer who is investing their money into a business. California was the first state to adapt the franchise statute in 1971. Since then many states have adapted that regulate the offer and selling franchises in their state. The purpose of these statutes is to provide a layer of protection for consumers who are investing in such franchises and to also prevent fraud.

The FDD is drafted by a franchise attorney that works very closely and under the guidance of a franchise consultant. Please note that most lawyers have little to no experience in awarding franchises or more importantly in running a franchise operation. Most lawyers have no experience in running a business and therefore it is highly recommended that you seek the assistance of a franchise consultant who has had years of experience in establishing and running a franchise system. Your franchise attorney would draft the FDD with information provided by you and the guidance provided by your franchise consultant. The final document, if done correctly, incorporating the systems advised by your consultant and attorney will play the most important role in the success of your franchise system.

The FDD is designed to disclose information about you (the founder of the system), the business, its products or services, the cost to open the business, the costs involved in running the business, its trademark protection and much more. These disclosures, as required by the Federal Trade Commission allow a prospect to better understand the system, the entity and the people that are behind the franchise that he/she is interested in. This way, the prospect can intelligently decide whether or not to enter into this franchise concept.

Franchise Agreement

The franchise agreement is a legal document that is executed between the franchisor and the franchisee. This agreement contains all requirements by franchisor that franchisee must follow. The most important part of this process is the franchise agreement as that is what will protect both you and the franchisees from legal ramifications. This agreement is typically an exhibit within the Franchise Disclosure Document.

Operation's Manual

An operation's manual provides detailed information about the Do's and Don'ts of the day to day operation of a business. A franchise system must have a comprehensive operations manual. This

manual describes everything from opening and closing procedures, customer services, cleaning, inventory management, POS systems, recipes, store layout and everything else that guides an operator of your franchise to run the business just like you do. Without a manual you cannot expect a franchisee to conduct their business the same way as you do. Before you can have new owners copy your success, you first have to create something that they can reproduce. The table of contents of your operations manual must be included as an exhibit in your Franchise Disclosure Document.

Audited Financial Statement

When your business is converted into a franchise system, your consultant will suggest that you start a brand new company which will handle all aspects of your franchise system. You do not want to mix the activities of your franchise system (including financials) with the activities of your current operation. The new business must have a bank account with funds. A CPA normally provides a start-up balance sheet audit for this account. This audit is included in your Franchise Disclosure Document as an exhibit. Your FDD will normally disclose audits for the last three years of your franchise company's operation.

Is your business franchisable?

By now, you are probably on board with the idea of franchising your business, but the fact is that you must first determine if your business is franchisable. Most businesses are definitely franchisable, however there are a few that may not be. Franchising represents the single most efficient and effective way to grow a business, but there are a few factors that can determine whether or not your business is a franchisable business. Here are the most important things to consider when determining if your brand is franchisable.

Is Your Business Duplicable or Teachable?

In order for your business to expand, it must be duplicated in other locations and be run by people other than yourself. If the business is all about its owner and can never operate if the owner is replaced with someone else, then that business isn't really duplicable and therefore not franchisable.

Also, to franchise a business you must train your franchisees on how to operate their business. This means that your processes must be teachable to new people.

Location Specific?

As a franchise, your concept should be able to grow throughout the nation and even worldwide. If the business only fits a particular city or location and wouldn't work in other parts of the country, then this may become an obstacle in the growth of your business.

Well Managed and Liked?

Do people like your products or services? Are you getting good ratings and great feedback from your customers? Do you see that the business is growing every day? Do you feel that you have managed your business well and can teach others how to do the same thing? If so, then this is a good indication you should consider expanding to other locations through franchising.

Organization and Preparation

By now you realize that there are a lot of steps involved and a lot of details that have to be addressed with respect to franchising a business. This is why it is critical that your first step in the process is to meet with a reputable franchise consultant firm in order to guide you in developing the entire package needed for franchising your business.

Franchise Success Stories

While we could spend all of our time talking about franchises in the abstract sense, it's much better to see how it all comes together in the real world. As such, we wanted to take a look at some businesses that have decided to franchise to see how it has worked out for them.

Elite Bartending School

Considering that tending bar is one of those professions where you have to have experience just to break in, going to school to learn the proper techniques is the perfect way to go. Elite Bartending has a comprehensive course that ensures that graduates will be able to handle themselves in a real-world environment.

Since there are bars all over the country that need highly skilled staff, Elite was a perfect opportunity for franchising. Here is what the owner, Austin Gagnon, had to say about franchising his school.

“Working with Franchise Creator has been awesome. They called me about the idea of a franchise, they brought me in and walked me through the process. They have been nothing short of amazing.”

My EyeLab

Finding a pair of glasses can be a laborious experience, from getting a new prescription to finding frames that match your sense of style. My EyeLab was a company that provided exceptional customer service and made the whole process as simple and easy as possible.

As such, the business was ready to expand but wasn't sure how to go about franchising. CEO and founder Daniel Stanton had this to say about Franchise Creator.

“My experience working with Franchise Creator has been amazing. From the beginning of the process to the very end, [they] simplified it and helped build a product that was presentable to a businessman, but also met all of the legal requirements associated with starting and operating a franchise business.”

Blue Tree Juices

These days, eating healthy has never been more attractive or easier, but how can you know that you're getting the most nutrition from your juice? Blue Tree Juice specializes in creating all-natural and organic blends that help bring health and wellness to the masses.

Considering their potential, it was evident that they could benefit from starting a franchise. Founder Kevin Aoki believes that Franchise Creator has helped him succeed.

"[Franchise Creator's] support and expertise have been invaluable in working through a franchise process. We highly recommend them to anyone seeking to launch a franchise."

What do you need when your begin franchising your business?

Identify Your Brand's Growth Potential

Your brand is one of the most important aspects required for the growth of your business. Research and make sure your brand and your mark can be federally protected through a trademark. If the trademark is taken, then you must consider a variation of the name or to totally come up with a new name. When selecting a brand for your business, be sure to choose one that is not used in commerce. The two most critical requirements for a brand are a) the availability of a domain name and b) the availability of a federal trademark. An experienced franchise consultant will guide you on what you need with respect to branding when franchising your business.

Website and Social Media

Your website is your showcase to the entire world. Most people refer to your website as soon as they hear about your brand. It is important that you work closely with your franchise consultant in order to make the proper changes to your site that allow it to be scalable. For example, your consultant would provide the content for your new "Franchise Opportunity" section of your website.

Get Your Financials in Order

The Federal Trade Commission allows a franchisor to decide to share its previous years' financial results with a franchisee prospect or to not share it at all. Franchisors that show previous years' financials provide a much more compelling offering than those that don't. An experienced franchise consultant would study your financials (mainly P&L statements from previous years) and recommend the correct path forward. Your franchise consultant would suggest changes to your system in order to improve your sales and more importantly, your net profits.

Organize Your Business Operations

Your franchise consultant would study your current operations and business methods and guides you in creating an efficient system that can be easily duplicated and also easily taught to a new owner. He or she would then produce a functional and comprehensive manual that can be used as a reference for all new franchisees.

Point of Sales System

A good franchise consultant would study your current POS system and if needed, would recommend changes or upgrades for your franchised locations. The idea is to make sure that your POS system is scalable and can handle functionalities that are specific to a franchise system.

Scalable Vendors

As you begin franchising your business, ideally you would want your franchisees to purchase their necessary products and services from the vendor that you suggest. Common vendors provide both consistency in the products/services and also group purchasing advantages. Your franchise consultant would study your current vendors to make sure they can deliver nationally and also can deliver at higher volumes as you expand.

Architect Your Franchise System

Perhaps the most important contributor to the success of your franchise system is the structure of your franchise. What should you charge for the Initial Franchise Fee? How about the Royalty? Are you going to provide a protected territory and if so, how big? What should the length of the agreement and how much should you charge for the renewal? Should you have a national marketing campaign and if so, what should each franchisee be required to contribute? These and other important decisions are detrimental to the compatibility and the ultimate success of your franchise in the market place. Yet one more reason why it is absolutely critical that you work with a franchise consultant in order to franchise your business. An experienced consultant would begin by studying the competition and provides you a report in the form of a spreadsheet showing all the franchise parameters (including the ones mentioned above) of all competing franchise systems. Your franchise consultant would study a few competing franchise systems, both the ones that are successful and also the ones that aren't. Based on this spreadsheet, you and your franchise consultant can collectively and intelligently decide the architecture of your franchise system.

Franchise Marketing and Sales

Once your consultant is finished franchising your business, you must now work closely with him/her in order to get the word out about this new franchise. Without proper marketing no one will ever know that your franchise exists. Your franchise consultant should also prepare a set of franchise sales material including brochures, Q/A sheets, sales webinars and franchise qualification application.

Your consultant would also recommend the most efficient places to advertise your newly launched franchise. It is also important that when selecting a franchise consulting firm, choose one that handles not only the development of your franchise, but also the sales and marketing all under one roof and under one brand. Franchise consultants that also sell franchises for you, have a vested interest to develop the most efficient and sellable franchise system.

What should I expect from a franchise consultant?

Rather than going to a franchise attorney, you should definitely work with a franchise consultant instead. Franchise lawyers lack the necessary experience in selling and marketing your franchise. They also typically have no experience in running a franchise system and therefore can't provide consulting based on real world experience. Your franchise consultant should be able to refer a few vetted and tested franchise lawyers who work closely with you and the consultant to develop your legal docs. But the rest of the system is typically developed directly by the consultant. However it's important that your consultant is responsible to manage the entire process so that he/she can oversee a successful and efficient franchise launch.

Honesty

First and foremost, you are building a business relationship. Thus, you want to make sure that you can be open and honest with each other about everything. High-quality consultants will provide you with all of the information you need, even if some of it seems bad or negative. It's better to go with a company that won't put your success at risk just to avoid confronting some hard truths.

Experience

It is absolutely critical that you select a franchise consultant that has gained his/her experience from running his/her own franchise operation. Ask them how fast they grow their own franchise network. Find out how their own franchise system was ranked in the industry. How many issues (legal and non-legal) did they have with their franchisees and how were they resolved. Did they have a successful exit? Also it is critical to find out how many franchises has your consultant helped start? Does he or she have references so that you can talk to new franchisors about their experiences? Overall, you want to find a consultant who has been in the business for a while and has helped a wide variety of franchisors. This way, they are better prepared for anything that could come up during the process.

Handling the Entire Process

You want one entity to handle everything franchise related for your business. You do not want separate organizations handling different aspects of the franchise development, marketing and sales. Choose a franchise consulting firm that can do everything from franchise development to franchise sales all under one roof. This way there is one entity responsible and you don't have a scenario where you have multiple chefs in the kitchen and everyone pointing fingers at the other.

Conclusion

When it comes to expanding your business, becoming a franchisor is most likely the best and the most efficient path to success. As long as you go about it the right way and select a good franchise consultant that can guide you along the way and as long as you follow the proper steps recommended by your consultant, your business can experience explosive growth. Please note that franchising is

the only vehicle that allows you to expand your business in tens of locations at the same time. This is because each location's build-out, grand opening, hiring and operation is independently handled by each franchisee, allowing you to grow your business in locations you never thought possible.

Franchising also provides the highest ROI (return on investment) as you typically recover your costs for franchising your business with the franchise fees collected from the very first or perhaps second franchise sold. With proper marketing and correct consulting, you should achieve this within a few weeks or a few months, at the most.

About the author/Franchise Creator

Hossein Kasmai

Hossein, as an electrical engineer was an executive at Motorola for 7 years, leading a team of engineers in developing high tech pagers and then later mobile phones. He left Motorola in the late 90's and started a high tech communication company named Infopage, providing wireless products used for transmitting messages to LED signs and TV sets in restaurants, hotels and airports. His company grew exponentially and within one year after inception it was acquired by a large communication firm. As an entrepreneur, next, he developed a complex hardware/software system to capture a child's electronic fingerprints, photo and other information needed by the police in order to aid in finding a missing child. The service was offered to parents in schools and day cares in Miami, Florida. Quickly after launch, Hossein franchised Guard-A-Kid and began offering franchises to those who wanted to start a similar business in their area. Hossein's business quickly grew and became ranked as the leading franchise in its industry. His franchise company was year after year ranked among the top 500 franchises in the nation. Entrepreneur magazine ranked Guard-A-Kid among the top 100 fastest growing franchises in the country. Franchise Times magazine ranked the company among the top 10 hottest franchises to hit the market in the past 5 years. By 2010, only five years after its initial launch, the company expanded to over 175 franchises in 11 countries worldwide. Guard-A-Kid was acquired in 2010 by an investment firm.



After the rapid success with Guard-A-Kid as a franchise, he quickly became recognized as a franchise expert and was approached by many companies that requested his advice on franchising their business. In 2011, he founded Franchise Creator (www.franchisecreator.com), providing franchise consulting services to companies nationwide. Hossein is currently the CEO of Franchise Creator and along with his team of experienced franchise consultants works with business owners who wish to expand their business nationwide through franchising. By providing a free initial franchisability assessment, the team at Franchise Creator can determine if a business is ready to be converted into a franchise operation. Franchise Creator has quickly grown to multiple offices throughout the nation, with more offices opening each quarter. Franchise Creator has now franchised hundreds of businesses throughout the country and has helped them grow from one or two locations into tens of locations nationwide (and worldwide in some cases). After franchising a business, Franchise Creator helps sell franchises for that business. Hossein is considered an expert in the franchise industry and is actively a business adviser to many globally recognized brands.

Hossein and his companies have been featured multiple times in articles featured in recognized publications and news outlets including Entrepreneur Magazine, NBC News, CBS News, Franchise Times Magazine, Specialty Retail Magazine, Opportunity World Magazine, INC Magazine, The Miami Herald, Des Moines Register and many more. Hossein is a regular speaker at many business/franchise events and has also been on many Podcasts regarding franchising and business expansion.

Franchise Creator – www.franchisecreator.com – 305-592-9229

Links to Videos, talks, podcasts, etc.

How to Franchise Your Business talk at Small Business Expo, Miami, FL.

<https://www.youtube.com/watch?v=JCzX0gRooCE&t=2s>

What is Franchising, Ask the Pro – Interview at Grant Cardone Studio

<https://www.youtube.com/watch?v=p9BcY3ctyLY&t=1s>

How to Franchise Your Business

<https://www.youtube.com/watch?v=Qye6-IKMSvY&t=15s>

Podcast – Franchising Is the Only Solution to Proper Branch Management.

<https://soundcloud.com/beta2boss/hossein-kasmai-the-franchise>

Podcast - How Any Business Can Be a Revenue Generating Franchise in 90 Days

<http://cashflowninja.com/237-hossein-kasmai/>

Podcast – Lets Start Franchising

<http://cashflowninja.com/237-hossein-kasmai/>

Podcast - Building Business through Franchising

<http://cashflowninja.com/237-hossein-kasmai/>

Podcast – Perfection is What We Desire as Business Owners

<https://player.fm/series/the-entrepreneur-way/715-perfection-is-what-we-desire-as-business-owners-with-hossein-kasmai-founder-and-owner-of-franchise-creator>