



Beginner's Guide To Starting A Franchise

WHAT IS A FRANCHISE?

A **Franchise** is a business where the owners, or ‘franchisors’ give the license to the ‘franchisee’ to use its intellectual property, its business model and the rights to sell its products under their brand name upon contractual terms.

If you are considering venturing into the world of entrepreneurship by starting a franchise, this ebook is for you.



SELF CHECKLIST:

ARE YOU READY TO START YOUR OWN BUSINESS?

Starting something of your own brings its own challenges and risks. Before embarking on a new journey, it is a good idea to review a few key things about yourself and the goals you are hoping to achieve.



Are you a people person?

Assess yourself, evaluate the risks and delve deep to find out your strengths and weakness. If you like interacting with people and you are a born leader, then this business might be the right one for you. You can seek help from your friends and family to help make you aware if your personality type matches with the business you are considering to start.



Can you afford the franchise?

Understanding your financial position is very important before considering starting a franchise. You must be aware of your financial conditions and obligations and background / net worth applications are typically requested from franchisors.

Clear knowledge about your finances would prove to be a major factor in determining the kind of franchise you wish to own and what options may be available to you to assist with funding. Some franchisees offer support and resources in financing although all typically require a deposit to move forward through the application process. (See more on cost of franchises)



Do you have the support you need?

Although you are considering to do business for yourself, you must evaluate the support offered by the franchise group as well as family and/or friends. Meeting with other business or franchise owners may help you understand the implications of owning a business and share their experiences.



Investment vs Profit Analysis

Think about the benefits that you are likely to derive from the franchise such as tapping into a proven market, working with an established brand, policies, regulations and marketing & sales support. After writing down all the positives, move toward the potential threats. Analyze the liabilities and costs associated with the franchise, franchise fee, marketing budget, share of sales you need to pay in royalties etc.

Joining a franchise offers the opportunity to become a part of a reputed brand name which has already established itself among a particular group of customers.

Some of the key benefits of entering into a franchise vs starting your own business are:

An established business ‘blueprint’

There are many points that need to be emphasized while starting out a new business. Franchisors come with a reputed experience, a business model and offer a support system.

Instant Brand Recognition

Independent businesses take more time to establish whereas a franchise offers brand recognition.

Higher Success Rate

Because franchisees work in accordance to a set of policies with a proven business model and offer training in regard to marketing, product line and other aspects of operating a business, the success rate for business owners is much higher than those entering into an independent business venture.

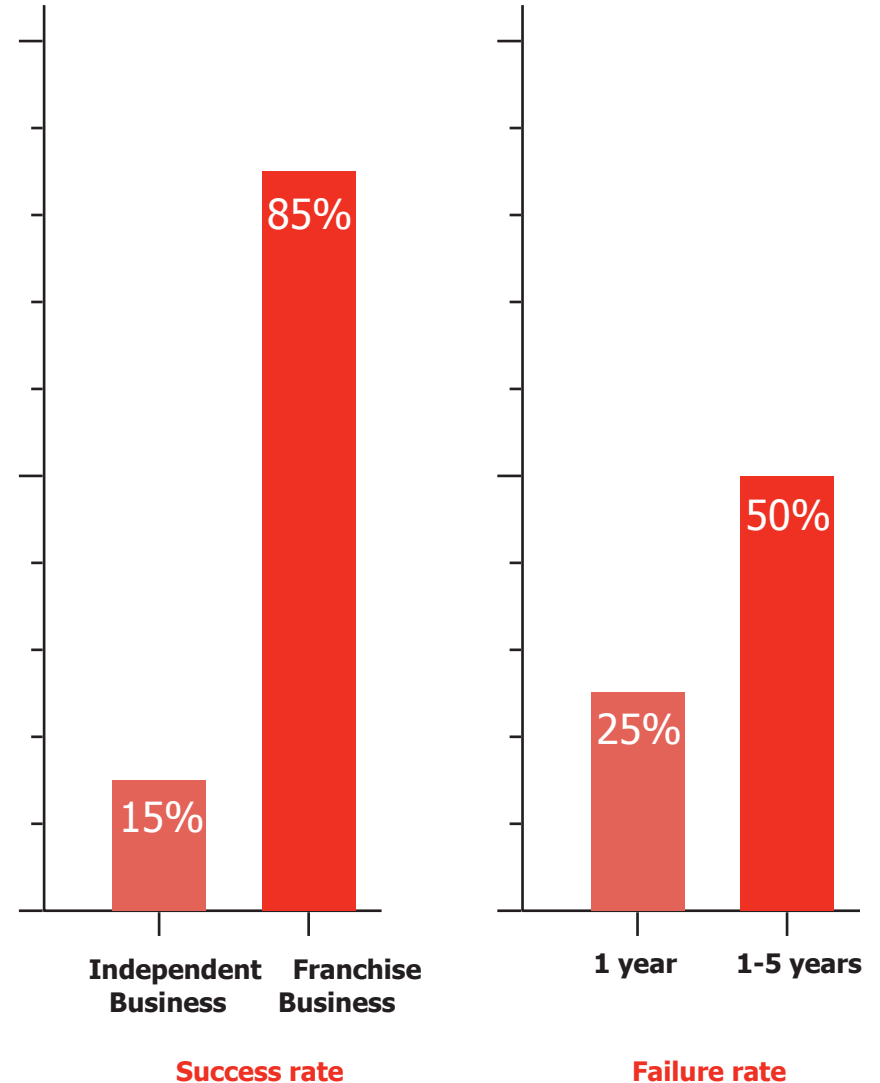
A few studies suggest that franchises have a success rate of about **85 percent** as compared to **15 percent** of business that are started independently.

Statistics also suggest that **25 percent** of start-up business fail within their first year while **50 percent** of the remaining fail within five years.

Benefits of the established business relationships

A franchisor has already established a wide network of professionals including legal, marketing, products and services passing these relationships onto their partners. These relationships can also be offered through location choice and funding assistance.

THE BENEFITS OF A FRANCHISE



HOW TO START A FRANCHISE

From food service industries to retail service industries, franchise business has spread widely today. Let's dig deeper and understand how to start a franchise business:

What are your preferences?

After shortlisting the names of franchises that could help you start, you must set your preferences. You should know what type of franchise opportunity suits you the best. Is it food business that excites you the most or is it other kinds of services? You need to answer these questions first.

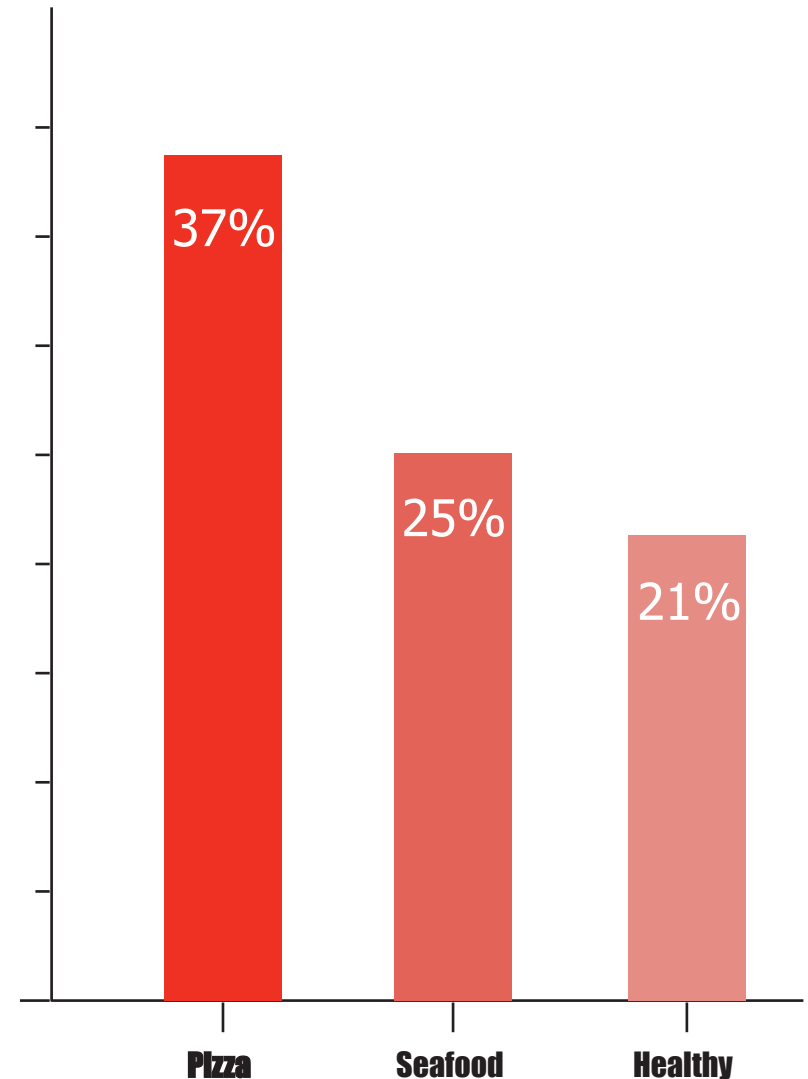
Choosing the right franchise

When considering the right franchise for you, in addition to your preferences consider your location and opportunity

including competitors, costs associated, brand and support from the franchisee.

Fast-casual franchises reported a growth of **11.5 percent** in its year-over-year revenue, while the rest of the industry progressed at a rate of mere **4.1 percent**, thereby making it one of the best franchises to own.

Pizza is currently the largest sector at **37 percent** of fast-casual restaurants, followed by seafood (**25 percent**) and 'healthy' at **21 percent** says Healthy Lalley, an editor at Restaurant Business.



How much does the franchise cost?

Although the cost of fees and services involved would vary from franchise to franchise a few things always remain common. The franchisees are required to pay an initial franchise fee during the signing of an agreement. This agreement would cover most of the aspects such as the rights to use the logo, trade name and operating procedures. Once opened, there are franchise fees which typically includes royalties and marketing fees for operating under the brand along with support & training.

Becoming A Franchisee

Franchisors typically require an application and/or net worth statement prior to moving into an agreement with potential franchisees. Once completed, a franchisor disclosure statement will be offered as part of pre-sale due diligence process. This will offer detailed information about fees, estimated initial investment and more. Once your application is approved, you will be provided with an agreement that outlines a franchisor's terms and

Selecting the right location

Franchisors may provide recommendations based on their analysis or may have more restrictions in certain markets. Some considerations are parking, competitors, traffic, etc. Typical leases for the location are 5 to 10 years with options available to renew.

Training

Franchisors provide training to ensure smooth operation. Again, it may vary from franchisor to franchisor and this would occur before you sign a lease. A good training program will help you understand the daily operations as well as products and services. You will also gain knowledge into marketing, hiring and managing employees, filing of permits, creating reports, etc. It could span from one to two weeks and may include a combination of on-site training with equipment.

Open For Business

Franchisors may offer assistance for ads, promotional ideas, etc for grand opening and



FUNDING A FRANCHISE

Once you have determined the franchise of interest, obtained their investor information and understand the costs associated with the franchise start-up, there are several options that can assist with the funding of your business.

Rollover for Business Start-ups (ROBS)

Rollover for Business Start-ups allows you to use funds from your retirement account and invest that money into your franchise. You can do so without paying early withdrawal taxes and penalties. ROBS are usually considered to be a more efficient way for obtaining funds than other start-up loans.

The SBA Loan

SBA loans are small-business loans issued by participating lenders (mostly banks) and

guaranteed by the SBA. These loans are considered to be one of the most suitable ways to help cover the start-up franchise costs as they often have lower interest rate.

Conventional Bank Loan

Although banks tend to turn down start-up loans, applying for a bank loan is an option. To increase your approval, develop a strong business model that focuses mainly on the franchise.

Equipment Leasing

Equipment leasing is typically available on 3 to 5 year term with a slightly higher lending rate than traditional bank loans or SBA loans. The equipment that qualifies for leasing can be anything from furniture to fridges



SUMMARY

Low-cost franchise opportunities for high-quality services and products that sell with the support and brand recognition are what lend to a successful business.

Fast casual services are leading the way in the restaurant industry with companies like **Fast Fired by Carbone** emerging as the **leading operator of premium fast-casual pizza chains in Canada** being deemed '**most profitable franchise opportunity**' in the industry. The Fast Fired by Carbone team helps assist with location selection, lease negotiations, business startup, contractor selection and more. With an initial franchise fee of \$35,000, Fast Fired by Carbone charges an ongoing royalty fee of 6 percent and an ad royalty fee of 2%. It also provides an on-job training of 60 hours and a classroom training of 20 hours.

That's the kind of success and support you want to see when choosing the right franchise.

