

Advantages of Franchising Your Business

While franchising provides franchisees with a proven system and support of a much larger organization, the advantages to the franchiser are more significant.

Capital – Since franchisees use their own capital, the franchiser has virtually no investment at the unit level. Franchising allows companies to leverage of the assets of franchisees.

Return on Investment – Because of this lower investment, ROI will be significantly higher.

Risk Reduction – With no capital invested in units, risk is reduce substantially.

Limited Contingent Liability - The franchisor will not be signing leases, taking on financing, etc., and will thus expand with limited contingent liability.

Speed of Growth - By leveraging off of the time and efforts of its franchisees, a franchiser can grow much faster without adding employees.

Reduced Role in Day-to-Day Operations – As a franchiser, your primary concern involves the franchisee’s top line performance, reducing the scope of your involvement in day-to-day management.

Reduced Vicarious Liability – The liability for acts of employees and for occurrences in the unit, accrues to the franchisee, not the franchiser.

Highly Motivated Management – Franchising can provide a company with highly motivated management who will treat individual units as its own.

Quality Control – Franchisees generally keep their units in better operational shape than unit managers and, as a part of the community, are better able to promote these units locally.

Long-Term Management – The franchiser can invest in the long-term training of its franchisees, as they are unlikely to leave short-term.

Unit Performance – Units are generally better run, as is reflected in the fact that franchised stores generally outperform company-owned stores in terms of sales volumes.

Lean Structure – Franchisers can grow the organization without adding significantly to overhead.

Brand Building – This ability to grow the organization without substantial additions to overhead will allow franchisers to grow their retail presence and their brand more quickly and effectively.

Advertising – Franchisees will often contribute to a common advertising and promotional fund. This fund will be used to promote the brand under the direction of the franchiser.

International – International expansion becomes easier, faster, and carries far less risk since a local partner becomes involved.

It is important to note that franchising is not always an exclusive strategy. Many franchisers use it in conjunction with company owned growth.