



housekeeping: franchising

TIME TO FRANCHISE?

by ian krawitz

Ten tips for turning your company into a franchise?

Franchising can open up huge opportunities for your business and propel it to the next level, but it also requires significant research, preparation and investment to make the transformation a success. Ian Krawitz, Head of Intelligence at 10 THOUSAND FEET and founder of topfranchise.com.au, shares his top ten tips for franchise success.

1. Do your numbers

Franchising will generate a new revenue stream, but there will be costs associated with achieving this. Determine the resources and time involved with setting up the new franchise system and calculate the number of units you'll need to reach your break-even point. Importantly, don't rely on the initial franchise fee to make a quick profit. We've found that the average cost of recruiting a new franchisee is \$16,300. The initial franchisee fee often only covers the cost of recruiting franchisees, and you may need to discount your fee for the first half a dozen franchisees to get your company off the ground, which means that you may not see a 100 percent gross profit right away.

2. Do your planning for different levels of growth

Have a plan A, B and C for your growth expectations and ask yourself how you will react in each situation. Not every franchise company is a Boost Juice and will grow as rapidly.

3. Do your research

Know the industry you are entering and learn from existing franchise systems. Industry reports are an excellent way to pick up years of knowledge in franchisee recruitment, retention and business expansion. Online resources like topfranchise.com.au provide a great insight into which systems work and why by rating current systems according to the views of their existing franchisees.

4. Speak to existing franchisors

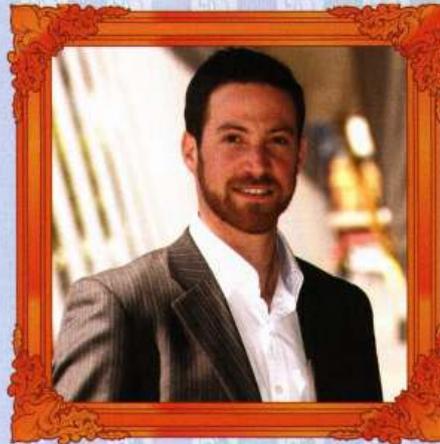
The franchising industry is a sharing community. Attend a Franchise Council of Australia (FCA) event and ask existing franchisors about the successes and the challenges they have faced. You will be surprised how easy it is to set up a time for coffee to talk further if needed.

5. Choose your positioning wisely

Focus on an area you excel in and communicate this to your prospective franchisees. Remember you can't necessarily use the same unique selling proposition that works for end consumers when selling a franchise system. Prospective franchisees will in particular be looking at the support you provide, how the business will make money, the lifestyle it will afford them, etc.

6. Plan for expansion

Brand is very important in franchising. Before you expand rapidly to another part of the country, consider that while your brand might be strong in your home state, people in another state may not have heard of it. This makes it harder to sell the franchise,



and when you do move to the new state it will be more costly to establish brand awareness to the end customer.

7. Consider how you will support your franchisees

Support is one of the most important aspects for a franchisee. Will you have the resources to give them face-to-face contact and guidance? You will also need to consider at what point you will need to employ additional franchisee support staff.

8. Fine tune your elevator pitch

Your business model is great, and you know how you make money from it, but can you simplify your explanation so that somebody completely new to your idea will understand it within two minutes? You will be up against more than a thousand systems that are established, so you will need to be able to explain why your model works so well.

9. Do something about any glitches or glaring inefficiencies in your system

You will not be running each location, but will still need to have your finger on the pulse of franchisee performance and also provide the goal posts for your franchisees. Make sure you have measurable KPIs across all areas of your business processes, and fix any glaring inefficiencies before you franchise rather than having to fix the same inefficiency in another twenty locations once you expand.

10. Plan for recruitment

Determine the type of person who will be the right fit for your business model and culture and get your message right. Carefully consider your marketing message. Lastly, manage your pipeline of prospective franchisees and keep in touch regularly.

Ian Krawitz is Head of Intelligence at 10 THOUSAND FEET, a strategic marketing intelligence agency that specialises in the franchising arena. Visit www.10thousandfeet.com/reports.html or go to www.topfranchise.com.au to download a free e-report on the top ten performing franchisors in Australia.