Why I'm Going To Franchise My Business
And Why You Should, Too!

Take your business to the next level

Expand without using your own money

Grow without managing more people

Make your cost back after one sale

Franchise fast - usually within 6 weeks!

Professional consulting saves thousands $$

Allow me to introduce myself. My name is Tom Rather and since leaving the corporate world, I've spent my time helping business like yours reap the benefits of becoming a franchise.

What do our clients have to say?

- "They over-delivered on everything. I've been in franchising for over 12 years and they are the real deal" Brian E. - Event Sales, TN
- "Their participation made this process easier and faster than I had been told or expected." – Mike G. - Waste Services, NC
- "They're helpful, responsive and professional. Not to mention easy to work with" -- Tammy G. - Children's Clothing
- "With the support and help of a first-rate franchising team, we have built our program into a national home care agency" Ellen A. - Home Healthcare, PA
- "They're a fraction of what the large franchise law firms charge" Van Y. –Auto Dent Repair, MO
- "Old school customer support" Jerrill, R. - Frozen Yogurt, CA
- "Awesome to be able to work with such trustworthy real people who are so qualified and caring. THANKS!!" Chris F, - Window Care, MI

If what I've said makes sense to you, let's talk. We've Franchised 61 Companies in the last 4 years. I'll show you exactly how to do just that… With our Turnkey Franchise Development Team.

And we'll help you do it in just 6 weeks. We also offer financing for those on tight budgets!

Give me a call at 770-595-1055 or email me, tom@franchiseasap.com. And now enjoy our FREE eBook, "Why I'm Going To Franchise My Business and Why You Should Too".

Thanks,
Tom
Tom Rather, President
Franchise ASAP
770-595-1055
www.franchiseasap.com

P.S. Did I mention, we're **VERY AFFORDABLE**, **FAST**, plus you get **PERSONALIZED SERVICE**.

THE ADVANTAGES OF FRANCHISING

Franchising is the American Dream, with a safety net. It's the most effective merger of large-organization efficiency with small-entrepreneur motivation ever devised. Not every successful business should franchise, but given the proper situation and concept, it can be an extraordinary wealth-producing system for the business that is franchisable.

Franchising is one of the most popular forms of business expansion in the twentieth century. So, let's examine the pros and the cons of franchising.

THE PROS

Capital

Franchising is a method of expansion that allows a business to expand rapidly with a minimum of its own capital. We know of only one effective way to expand without giving up control of either your business or its assets and that is by selling franchises.

The money you get from the franchise fee will usually do little more than pay your expenses for finding and training your Franchisees.

A group of Franchisees using your name and producing a 10-year royalty stream is a form of capital.

Motivated "Managers"

Good managers are hard to find. And once you have found them and trained them at considerable expense, they aren't easy to keep. Even a manager on the incentive system doesn't actually own anything. Nothing ties a manager to his job.

On the other hand, the Franchisee is not an employee. He buys with his own money the rights to own and operate a business similar to the one you have created. And, in the tradition of business ownership, the Franchisee is at risk. He must commit time and energy, as well as capital, to its success.

You must, of course, train a Franchisee even more extensively than you would a manager. But once trained, a Franchisee requires far less supervision than an employee. Your role in the day-to-day operation of the Franchisee's business is more that of a advisor than an employer. You're there when needed for advice and counsel, but you don't have the day-to-day responsibility for direct management.

Image

At the local level, the Franchisee is a very visible member of a community or neighborhood. A local Franchisee generally represents a higher level of community commitment and involvement with customers than does an absentee owner.

Profitability

With a Franchisee involved in the hands-on operation of a franchise, labor costs can be kept down, allowing a unit to be profitable with a smaller population base (and possibly with lower sales levels) than other units may require.

Efficiency

Local owner-managers can usually operate their units with more efficiency and less bureaucracy than a company-run unit. The Franchisee is also more attuned to changes his specific unit may need to adapt to his community.

Let's assume that you have an unusual concept—one you've tried and tested locally but that has not been exploited by any other company nationally. Or, let's suppose another company has made your concept work in some other region of the country and you are concerned that they will move in to compete against you in your region.

Franchising is the one expansion system that enables the small or medium-sized entrepreneur to become the dominant force in a market by being first in the market.

On the contrary, in franchising, a head start by anyone is extremely significant. A successful franchise program attracts prospective Franchisees like a gold strike attracts miners. As the most successful franchises grow, the problem becomes less one of "selling" franchises than of separating qualified from unqualified applicants. Franchising then, can enable you to saturate an existing market and penetrate new markets as well. And, as your franchise grows you can, if you desire, use earned revenues to build additional company-owned units, particularly in areas where you feel you need market saturation to limit your competitor's access to that market.

Buying Power

As your franchise grows, collective buying power can become a significant advantage. Everything from equipment to inventory can be purchased by Franchisees from approved suppliers at group discounts. In fact, for Franchisees in product businesses, savings resulting from collective buying often surpass the royalty fees they pay. If the Franchisee can reduce his or her cost of goods by 10% or 20%, that amount goes straight to the bottom line. There are collective buying advantages for a service-oriented business, too, including better equipment that helps the Franchisee do the job faster, less expensively, and more efficiently.

As a Franchisor, you may want to devote some portion of your income to developing new technology, new products, or new systems that will benefit your Franchisees collectively.

Pooling Funds

Another collective-buying advantage of franchising is the ability to pool funds for advertising and public relations programs. Where do franchise-advertising dollars come from? Usually from Franchisees. Of course, buying power of all kinds can accrue to any chain—franchised or non-franchised. But the chain that grows fastest is likely to be the chain that benefits most from collective buying. And franchised chains, as we have seen, tend to grow bigger, faster.

Revenue

Expansion through company-owned units versus franchised units does ensure that all profits from a given unit go directly to the company. On the other hand, all the losses and capital investment of a company-owned unit must be borne by the company, as well. In contrast, most Franchisors have, strictly speaking, nothing to do with profits or losses of individual units. If a Franchisee makes a lot of money, wonderful. The Franchisor, however, does not share in that gain, as such. The Franchisees usually pay royalties on gross sales, not profits

Franchisors can derive revenue from five sources:

1. Initial franchise fee
2. Royalties
3. Advertising fees
4. Sales of products to Franchisees
5. Sales of additional services to Franchisees

The initial franchise fee is a one-time admission fee to the franchised program. It covers, to at least some degree, your cost of becoming a Franchisor, franchise marketing, training the Franchisee, site selection assistance, sales commission, and start-up assistance. It should, in addition, help to offset the losses you incur until Franchisee's royalty payments exceed your support costs. Such fees range from as little as $5,000 to as much as $50,000.

Ongoing income is derived by the Franchisor from the royalty, usually a percentage of gross sales agreed to in the franchise agreement that can range from 2 percent in a low-margin business to 12 percent in a high-margin, low volume service business. It is the royalty that must support the Franchisor's ongoing services to his Franchisees. Selecting the right royalty is important. Royalties that are too low and do not permit a Franchisor to provide adequate services can be dangerous to a franchise program as royalties prove to be too high or unfair. High royalties can be lowered; low royalties can rarely be raised.

Products and services can be sold to Franchisees as your option and can have a significant impact upon your income. However, we generally recommend that Franchisors limit these sales to products closely identified with the business itself and not easily obtained at comparable prices and quality elsewhere. On the other hand, special services, such as accounting or payroll management, not only assists the Franchisees but also helps the Franchisor to accurately monitor their operations. Such tailor-made services can be an excellent buy for the Franchisee. It may also be possible, if you wish, to lease real estate or equipment to your Franchisees, although (generally speaking) such activity is better left for seasoned Franchisors.

Add it up

Basic arithmetic will show how, if a franchise grows quickly, the revenue can add up. However, we repeat: Success in franchising is, in the long run, predicated on the success of your Franchisees. If the Franchisees are not successful, sooner or later the program will fail. If they are successful, the rate of franchise sales can be very rapid, indeed. So, although Franchisor income is not directly connected with Franchisee profitability, the franchise program itself is ultimately dependent upon Franchisee profitability.

As quickly as a franchise can expand by selling individual units, such expansion is nothing compared to the rate some Franchisors have achieved through area development and sub-Franchisor sales.

Locations

If yours is the kind of business that places a high value on locations, franchising can give you the muscle you need to make mall owners and developers listen. The number of malls is finite—and, indeed, so also is the number of openings for any given business in any given mall.

Flexibility

Franchising adapts remarkably well to a variety of corporate situations, structures, and goals. Although the classical picture of a Franchisor is one of a small company with limited financial resources, which relies on its Franchisees to provide the start-up capital, construct units, hire employees, and manage daily operations, some highly successful Franchisors have found it profitable to assume some or all of these functions themselves, for a fee.

Franchisors who have more capital to invest then, can derive even better returns from franchising while still enjoying the benefits of dedicated owner/operators handling local management. Franchising can also be flexible in the other direction. If you're short on capital but long on management ability, you can let your Franchisees put up all the capital, but offer your services to manage the units.

Exit Strategy

One other advantage of franchising worth mentioning is the added value a franchise program can give to a company in the business marketplace. Franchising has made the business a more valuable asset than it had been before.

THE CONS

For all of its extraordinary advantages, franchising isn't perfect and doesn't work for every business. The disadvantages of franchising must also be considered by any business contemplating expansion.

Loss of Control

The biggest single drawback to franchising is loss of control. By giving up control of the operating units to Franchisees, the Franchisor takes two risks. His first, and not necessarily the highest, is that the Franchisees will be unable to operate the business as he has operated it, that the complexities of the business are such that it cannot be taught to a Franchisee within an acceptable period of time.

But the fact is the day-to-day operations of most retail businesses can be taught very quickly. Rarely do Franchisors train Franchisees for longer than 30 days. One or two weeks are far more common, although not always enough time, in our opinion.

The second risk is the Franchisor will find loss of control difficult to accept. It's sometimes difficult for an entrepreneur who has created a business and perfected it to turn loose the reins. Some business owners who say they want to be less involved in day-to-day operations, find stepping aside extremely difficult when the time comes. As owner, you can tell the manager to change the prices, change the layout, change the inventory, even change the tie he's wearing that day if you don't like it. As Franchisor, you must suggest, motivate, and persuade, not command. Your Franchisee doesn't fire so easily. Franchising is, a partnership—easy to get into, hard to get out of.

Of course, the fact is that franchising as a business can be as interesting as any other and, if power and authority turn you on, can be more rewarding than most. But it requires different skills than those you needed to start your existing business. Instead of risk taking and rive, a Franchisor needs to master the art of diplomacy, become a good listener, and learn to speak in public.

Another aspect of losing control over each unit, and a possible point of content, is the problem of prices and profit vs. total sales. Are the Franchisee's retail prices too high, driving customers to competitors? Or are the prices too low, crippling the Franchisee's profits and Franchisor's royalty?

The Franchisee's goal is to maximize profit, but the Franchisor's goal, based on royalty percentages, is maximum sales per unit. Therefore, Franchisees may resist price, equipment, or labor changes that they perceive to be increasing total sales but not profits.

Conflicts and Lawsuits

Potential conflicts and lawsuits are, indeed, another disadvantage of franchising, although most Franchisors encounter few problems of this kind so long as their Franchisees are successful. Trouble comes when they are not. A banker recently said, "All investors are sophisticated until they lose money." The same is true with your Franchisees, who claim that they will never sue you, until they lose money.

At that point, you are potentially open to claims of fraud, misrepresentation, inadequate training, and so forth. The legal costs of defending yourself against such accusations can be significant.

On the other hand, let's be realistic. If you borrow money to expand and the business fails, your lender is likely to either sue you or claim the collateral you pledged. If you have sold equity in your company to investors and fail to meet your projections, you may lose control of your company, lose your job as CEO, and perhaps be sued for fraud and misrepresentation as well. In franchising, you have the motivation of the owner-manager working to prevent failure. Neither your banker nor your equity investor will be on the firing line working to help your franchise succeed.

Moreover, according to the U.S. Department of Commerce, the failure rate for Franchisees is only five percent, and the key to avoiding conflicts and litigation is to select the proper Franchisees to begin with, give them adequate training and support, manage the franchise program properly, sustain a good Franchisee relationship, and look out for changes in the industry or in the economy that could affect your business. Creating a successful franchise can be a greater challenge than creating the business that made you a Franchisor.

Finding Qualified Franchisees

Successful Franchisees are the backbone of any franchise program, but the important first steps are to attract and then sign up Franchisees with the best potential for success.

Franchisees must be financially able to bear the start-up costs of the franchise unit. But a high initial investment can scare off some of the otherwise qualified Franchisees.

So can a business that is perceived as complex, such as a business-service franchise. Another point to consider is that today, with thousands of franchise opportunities available, Franchisors must, in effect compete against each other for the savviest Franchisees.

Profitability Per Unit

As noted earlier, total receipt of unit profits in a company-owned business is exchanged in franchising for a royalty, usually a percentage of gross sales. In successful units, that percentage will be far lower than the unit's total profit. This disadvantage, of course, must be weighted against franchising's many advantages, including minimal risk of capital by the Franchisor, rapid expansion potential, and collective buying power.

Changing Markets

If Franchisors do not keep current with changes in the marketplace or in their industry, they may find themselves left behind or even out of business.

Unmanageable Growth

For some people, building a franchise can be almost too easy. Even with all the laws that protect prospective Franchisees, some Franchisors prove to be far better sellers of franchises than business operators. When a Franchisor creates a monster beyond his capacity to manage, the fall can be sudden and dramatic. There are ways, of course, to keep growth through franchising manageable.

Finding Qualified Fran

One is to sell franchises within an easily serviceable geographic area until you have built the kind of organization that can handle more rapid expansion. Another is to sell a limited number of franchises, at least in the early stages.

The key to real success in franchising is to recognize that only by building a company in which Franchisees succeed, can you be truly successful. And if we repeat this more than once during the course of this book, it's because history shows it needs repeating.

The Bottom Line

The fact remains that despite occasional spectacular failures, and to be sure some less spectacular failures, franchising enjoys a phenomenal success record. As we have noted, the U.S. Department of Commerce assesses the failure rate for Franchisees as a minuscule five percent or less per year, while estimates of failures of new businesses range as high as 65 to 90 percent. Franchisor failures are also low. In 1985, 46 Franchisors with a total of 1,463 units failed. Sales by Franchisees in this group represented only one-tenth of one percent of total business-format franchising sales.

This incredible record does not prevent critics finding other, less tangible "disadvantages" to franchising. We have noted that some say, for example, that because franchising relies on uniformity and consistency, it promotes mediocrity and stifles individuality. However, there is no reason to assume that because a business or a product is consistent and reliable, it is necessarily mediocre. In fact, if that were the case, its chances for success would be reduced, since consumers look for the best value for their dollar. Nor does the franchising system stifle creativity.

It encourages entrepreneurs to make their ideas reality and to allow other people who may be less willing to take such risks to share in their success. This ties in with another criticism of franchising—that it puts small businesses, the mom-and-pop operations, out of business.

In reality, it does just the opposite. The moms-and-pops whose grocery stores went out of business, have been replaced by the same kinds of people who now own mini markets, or convenience stores, which are more profitable, better organized, and more easily resold than the corner grocery ever was.

How many businesses could a novice enter into with an investment of less than $75,000, or less than $50,000, and with a training period of a week or two, yet feel secure in having a 95 percent chance of success? Entrepreneur magazine's 2009 listing of the top 500 Franchisors shows 59 franchises that require a total investment of less than $75,000; 42 of those require less than $50,000. And they're all growing at phenomenal rates because they give individuals the chance to own their own businesses, with the security of having a company with a proven record to back them up.

Live the American Dream

Our company, Franchise ASAP, does turnkey franchise development and would welcome the opportunity to share with you how franchising could help you grow successfully. Businesses that work with us find that we are:

- **Affordable** - Turnkey development for less than $20,000
- **Fast** - We can have you ready to sell franchises in 6 weeks, ready to train in another 6 weeks.
- **Hands On** - You work directly with Tom, not a group.

Turning your business into a franchise may be the smartest business move you ever make. Here are just some of the benefits of franchising your business:

- Each Franchisee pays you a monthly royalty percentage based on their Gross Sales for a 10-year renewable term.
- With the sale of just one franchise, you'll have paid for the cost of franchising your company.
- With the sale of just 4 franchises, you'll have doubled the profit of your present company.
- And you'll have accomplished all that without investing any money with without hiring any additional employees!

Go ahead and take the next step, call me @ 706-579-1518 or email me

Tom@franchiseasap.com and let's Franchise Your Business.