How (And When) To Franchise Your Business

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Franchises

When determining whether to move forward with franchising your business, your ability to commit to the process outweighs all.

Independently-owned businesses weighing their growth and expansion options would be remiss in not exploring franchising as a means of scaling their concept. That being said, franchising isn’t a realistic means of expansion for every business. Entrepreneurs interested in dipping their toe in the franchise waters should consider several key factors before diving in.

Make Sure Your Sales and Structure Are Sound
First and foremost, spend some quality time digging into your own business. Ask yourself what your long-term goals are and define your vision for your brand. Where are you in your business’s life cycle? Did you just open your business a few weeks ago, or have you been operating for several years? Are your same store sales up or down?

Simply put, it’s the wrong time to franchise when sales are down. Franchising isn’t a means of turning your business around—the ideal time to grow through franchising is when things are heading in a positive direction.

Your business also needs to have strong systems and processes in place before franchising because the transition to franchising means adopting a replicable model. As an example, you may think you’re in the pizza business, but once you decide to franchise your concept, you’re no longer making pizza in the shop—instead you’re running a franchise that happens to sell pizza. You’re now required to teach other people how to make the pizza, approve real estate sites, help your franchisees with construction and establish back-of-house operations, meaning the days of exclusive kitchen work, for you, are over.
If you’re not willing to extricate yourself from the day-to-day operations of your business, then franchising isn’t the right growth vehicle for you. In order to prepare yourself for entry into this new industry, you must move beyond unit-level management into a role where you’re overseeing operations and training in a systemic way that supports your franchisees. This means everything—every recipe, every preparation step, how to treat customers—is all documented in a way that allows the team you’ve brought on to operate in accordance with your vision.

When evaluating whether franchising makes sense for you as a business owner, it’s important to do some self-reflection to help determine if your business is in a place where you can mentally and physically commit to stepping out of the daily operations and into more of a management role.
It is also critical for business owners to understand that growing through franchising is a marathon, not a sprint. If you’re looking for something fast and easy, this isn’t the proper method by which to scale your business. There’s no instant gratification. As a business owner, you must be prepared to invest substantial capital and time on the front end to establish a system with long-term viability through franchising.

**Invest in the Experts**

Once you have mastered operations and proven your business is financially fit to be franchised, the actual process can begin. At this point, it is wise to consider hire the proper professionals to guide you through the process of develop your franchise model and prepare your franchise disclosure document. Remember, you are an expert in your field, but the heavily regulated franchise industry makes navigating its waters difficult for newcomers.

As such, it benefits all new businesses entering the space to enlist the expertise of those familiar with the industry. Hiring specialized franchise attorneys to assist in the drafting of your franchise disclosure document (FDD), as well as accountants
with the knowledge base to verify the financials included in your FDD, helps to create a complete document.

When you’re franchising your business, you also need to create a franchise operations manual. While most people who have entered into the process have a strong grasp of their business and have overall systems documented, almost no one has a detailed, 200-page, step-by-step manual required to support your franchisees. This document is an essential component that will help you connect all of the necessary dots while your franchise attorney is drafting your FDD.

**Keep Your Eyes on the Prize**

As you continue through the process of franchising your business, it is imperative that you remain focused. This doesn’t necessarily mean working 10 hours per day, but it does mean being organized and ready to answer any and all questions. In my experience, I’ve found most entrepreneurs are always running around so fast it is hard to keep up, so learning to start to live by a calendar is a big step in making a successful transition to a franchise business.
I’m always asked, what is the difference between successful franchise brands and those that don't grow? The clear answer is commitment. You have to commit both money and time to learn the ins and outs of the industry in order to get your franchise concept off the ground. Businesses that recognize franchising is a different industry and make use of the resources available along with tapping into the expertise throughout the franchise industry are the ones that tend to leverage franchising into a vehicle for incredible growth of their brand.

I am Steve Beagelman, Founder and CEO of SMB Franchise Advisors. In 1991 I co-founded Black Tie Express, a multi-restaurant delivery service. Since then, I've held... Read More