



Find the Perfect Franchise by Answering These 4 Questions

(Lot of nuances, but it will get us close)

In the years that I have been a franchise consultant, I have realized that most of my candidates make decisions on franchises by focusing on a few key characteristics of businesses. Interestingly, the decision making characteristics are almost always the same.

Let's discuss the 4 questions that facilitate candidates finding great franchise investments.

What do you want to do every day?

Within franchise investments, I have found that there are really 3 different roles that the owner plays in the business. You need to determine which of these 3 roles best fits your goals.

Owner-operator – Daily, Direct Involvement

As an owner-operator, you are the heart and soul of the business. Everything that happens really revolves around you – employees see you as their direct supervisor, customers call on you personally and all of the business activities are within your direct control.

Many owner-operator style businesses revolve around personal or home services as these businesses lend themselves to this style easily.

Executive owner – Daily, Indirect Involvement

Executive owners take a different approach. They are still involved in their businesses on a daily basis but are driving the activities of the business through a management team. It is the managers who are on the front line of employee management and customer interaction.

The executive owners focus their attention on financial management, team building, strategic planning and long-term thinking. So, though involved every day, they have a very different work day.

Semi-absentee owner – Weekly, Indirect Involvement

A completely different approach to franchise ownership takes the form of semi-absentee ownership. In these franchises, the model is set up so that the business owner is removed from the day to day operational details. Instead, all of the daily tasks are handled by a manager.

The owner's role is part-time and from a distance. The owner is physically present in the store on only a limited time basis each week – time for drop-ins and management meetings. The majority of the owner's time is spent remotely on performance monitoring, telephone and email communication with managers and back office tasks.

How comfortable are you with sales and marketing?

Let's be clear at the beginning about sales and marketing. At the end of the day, the owner needs to be responsible for the sales and marketing of the business. The key question is what the sales and marketing effort looks like. There are really 3 options:

Owner Direct Sales

If you are a comfortable and effective sales person, you should give consideration to businesses that enable you to leverage your sales skills by acquiring clients and being the sales engine of the business. Within this decision, also give consideration to B2B versus B2C sales and whether you are equally comfortable with cold calling and warm calling.

Sales Team Management

There are many people who are sales comfortable but prefer a management role instead of a front line sales role. There are a many franchises whose models are built around the owner serving as a sales managers and not a sales person. If you have good team leadership skills, this might be the right choice for you.

Marketing Driven

A significant percentage of successful franchise businesses are marketing driven and not direct sales driven. So, if sales is not comfortable to you, you should focus on identifying franchise opportunities that attract customers through effective marketing programs instead of direct sales efforts.

What income do you want to produce....and how quickly?

When you consider your target income from a franchise, there are 2 related issues to evaluate.

What is your desired income once the business has grown to its stabilized state? If you are seeking income replacement from your current career, make sure to give consideration to your fringe benefits including health insurance, retirement account matches and other fringe benefits.

The related question on income involves the timing of income production. Because you will be starting a business from scratch, you should realize that the business will have a loss as you build the customer base and revenue stream. In most franchise businesses, the growth curve is fairly steep and you will find a stability point typically by the third year. So, as we discuss income, the questions will revolve around what income you want by the stability point in year 3.

How much capital are you willing to invest?

There are a wide range of investment levels within the franchise world. There are successful franchise models with a total investment of \$50,000. Similarly, there are successful franchise models with required investments of \$3,000,000 and more.

The question of capital investment is very personal. You need to make a personal decision of how much personal capital you are willing to invest in your new business.

I would estimate that there are a significant number of exceptional franchise models that start at total investment levels of \$150,000, of which 70% can be borrowed. So, I would tell you that with a cash investment of \$50,000 or more, you will have a variety of great options to consider.

We have discussed here the 4 core questions that drive franchise selection. I can help you to answer these and then see what options best fit your answers. If you want to start a personalized discussion, contact Chris Cynkar at 412-877-2000, ccynkar@franchoice.com or www.chriscynkar.com.