

## BENEFITS OF FRANCHISING

The following benefits provide a good rationale for starting a business by purchasing a franchise. These must be balanced by the costs of investing in a franchise business and potential disadvantages, such as oversight and control requirements.

<b>Lower Risks.</b>	Most business experts agree that a franchise operation has a lower risk of failure than an independent business. Whatever statistics are used, they consistently suggest that a franchise is more likely to succeed than are independent businesses.
<b>Established product or service.</b>	A franchisor offers a product or service that has sold successfully. Three factors will help you predict the potential success of a franchise: <ol style="list-style-type: none"> <li>1. The number of franchises that are in operation.</li> <li>2. How long the franchisor and its franchisees have been in operation.</li> <li>3. The number of franchises that have failed, including those bought back</li> </ol> <p>An independent business is often re-inventing both an idea and operation.</p>
<b>Experience of franchisor.</b>	The experience of the franchisor's management team increases the potential for success. This experience is often conveyed through formal instruction and on-the-job training.
<b>Group purchasing power.</b>	It is often possible to obtain lower-cost goods and supplies through the franchisor. Lower costs result from the group purchasing power of all franchises. To protect this benefit, most franchise agreements restrict the franchisee from purchasing goods and supplies through other sources.
<b>Name recognition.</b>	Established franchisors offer national or regional name recognition. This may not be true with a new franchisor; however, the benefit of a newer franchisor is the potential to grow as its business and name recognition grow.
<b>Efficiency in operation.</b>	Franchisors have learned operating and management efficiencies that benefit new franchisees. Operational standards set in place by the franchisor manage quality and uniformity.
<b>Management assistance.</b>	A franchisor provides management assistance to a franchisee. This includes accounting procedures, personnel management, facility management, etc. An individual with experience in these areas learns how to apply them in a new business.
<b>Business plan.</b>	Most franchisors help franchisees develop a business plan. Many elements of the plan are standard operating procedures established by the franchisor. Other parts of the plan are customized to the needs of the franchisee.
<b>Start-up assistance.</b>	The most difficult aspect of a new business is its start-up. Few experienced managers know how to set up a new business – it is not done that often within an existing business. A franchisor has a great deal of experience accumulated from helping its franchisees with start-up. This experience helps reduce mistakes that are costly in both money and time.
<b>Marketing assistance.</b>	A franchisor typically offers several marketing advantages. The franchisor can prepare and pay for the development of professional advertising campaigns. Regional or national marketing done by the franchisor benefits all franchisees. In addition, the franchisor can provide advice about how to develop effective marketing programs for a local area. This benefit is often paid for through ad funds paid from earnings.
<b>Assistance in financing.</b>	It is possible to receive assistance in financing a new franchise through the franchisor. A franchisor will often have arrangements with a lending institution to lend money to a franchisee. Lending institutions find that these arrangements can be profitable and relatively safe because of the high success rate of franchise operations. The franchisee is still personally responsible for the loan, but the franchisor's involvement usually increases the likelihood of loan approval.
<b>Proven system of operation.</b>	A common feature of franchises is that they have a proven system of operation. This system has been developed and refined by the franchisor based on the entire experience of all franchisee operations and the feedback cycle.