



A Thorough Introduction To Franchising

This free introductory course about franchise ownership was designed for two reasons;

- **To see if owning a franchise could be right for you**
- **To see if you like learning "online."** (Take this short course to see if you like learning this way.)

Not everybody is right for the business of franchising. You may have some pre-conceived notions about what franchise ownership will really be like. You may have heard that franchises are "turn-key." They are. But they're kind of not. For the right person, with the right financial situation, who's in the right area of the country, with the right franchise concept, things may turn out terrific.

But, if the person buying the franchise is the wrong type of person for a rigid system like franchising, the "opportunity" can easily turn into a nightmare.

Maybe the person happens to be a perfect fit for the franchise business model, but chooses something that was **hot**. (The word **was** is the key) All of a sudden, *they have a dying business that they can't sell*.

I'm not trying to scare you here, but you need to know the whole story. **Life isn't always fair, and either is franchising.**

Take this free course. There's no risk in *that*, right?

This online course won't take a lot of time to complete.

You won't be graded.

You won't be yelled at by your teacher.

It's an easy to follow, basic course.

Start By Watching This Short Video



<http://www.youtube.com/watch?v=ToWMkOjk-1E>

Welcome to this **Free** course about the business model of franchising. This course serves as a nice warm-up to the world of franchise ownership. Make sure you understand what it will mean to become a franchise owner.

For the right person, owning a franchise can be a fantastic thing. For a person who is just not the right personality type for a franchise business, it could be one big headache.

I write a monthly column over at the US Government's **Business.Gov website**.

(I was their 1st blogger)

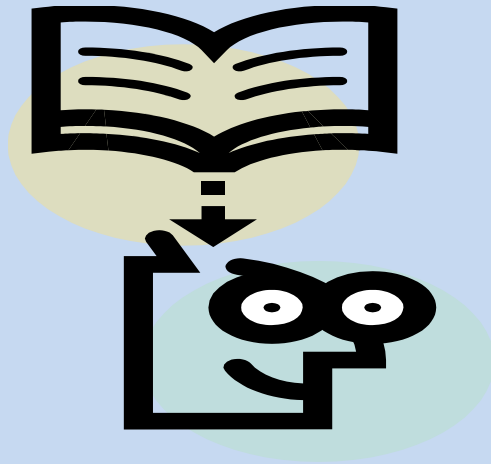
Here's my [article](#) about the personality needed to be a franchise owner.

Would you like to know if *you* may be the right type of person for franchise ownership?



Just [Take The Franchise Quiz](#). It's free!

Then come on back here, and finish this introductory course on the business model of franchising....



Definition

In its simplest terms,

It's a license.

A franchise typically involves the granting by one party (a franchisor) to another party (a franchisee) the right to carry on a particular name or trade mark, according to an identified system, usually within a territory or at a location, for an agreed upon term. The franchisee {you} are granted a franchise license to use the franchise company's trademarks, systems, signage, software, and other proprietary tools and systems in accordance with the guidelines in the franchise contract.

The franchise company came up with the idea for the service or product {or both} and is granting you the right to market it for them. Since it is their idea, they require you to market it in a specific way. It is *their* system, so they write the rule book.

The rule book in this case is their operations manual, and franchise agreement. Not only must you do things their way, you must pay them an upfront franchisee fee {license}, and ongoing royalties. The royalties are usually in the form of a % of your gross sales, although sometimes there is a flat monthly fee. In addition, there is almost always an advertising/marketing fee paid monthly along with the royalties.



Who's The Real Entrepreneur?

I'll be as gentle as I can here;



The person who came up with the concept that is being offered as a franchise is the entrepreneur! This person spent a lot of time and a lot of money to come up with a system that can be duplicated by others who are willing to buy into the system-and follow the system.

Now, it can be argued that when someone becomes a franchisee, that person does engage in some entrepreneurial activity. Maybe they have found a creative way to solicit business, or find employees. But remember, a franchise business is designed to be easily duplicated by others. If the people buying the franchise are too entrepreneurial, and don't follow the system closely, the franchise business is doomed.

Here's an [excellent article](#) about this really important topic.



Pro's & Con's



Pros

There are a lot of positive things that the business model of franchising brings to the table. Here's a few;

1. Systems- Systems are in place for you to use.
2. Training- You're provided with a training program to help you with everything you will need to know.
3. Technology- A franchisor's technology budget is probably larger than yours, so you should expect a lot of tools for you to use in your business.
4. Marketing/Advertising- A franchisor has marketing plans and advertising templates for you, which helps get your name out to the public in your geographical territory.
5. Support- A franchisor has support systems in place from in-house personnel to field reps that visit and help you.
6. Real Estate Department- A franchisor has resources to help you with site selection {if applicable}
7. A network. There are other franchise owners who, like you, invested in the opportunity. They have experienced things from the front line, and can help you out with problems that may arise.

Can you think of a few more?

I'll help you;

1. **Equity.** You have a real chance at creating real equity. Wouldn't be nice to at least have the opportunity to be the seller of a business? If you can sell your franchise someday, and make a nice profit, that would be awesome, right? And *that*, would be equity, folks.

2. **Legacy.** It wouldn't be so bad for your kids if they were able to take over your business, right? Keeping it all in the family is an advantage.

I have a few more positive things that you get when you're a franchise owner. [Read](#)

Cons

Did you think of a few more positive things that a franchise brings to the table?

Now, there are several negatives (*Perceived as negatives by some*) that the business model of franchising has.

Here's a few;

1. You pay an **upfront Franchise Fee** for the right to use the franchisor's systems.
2. You must pay a percentage of your gross sales to the franchisor on a regular basis. {Royalties}
3. You must follow the franchisor's **rules**.
4. You must buy from the franchisor, or their approved vendors.
5. You must use the franchisor's logos, and advertising materials.
6. When you sell, the franchisor must approve the buyer.
7. You may have to **pay into** the franchisor's advertising/marketing fund.

Can you think of anymore?

The business model of franchising is not for everybody. There are certainly pros and cons to investing in this type of business, and becoming your own boss.

In the case of franchising, the pros *must* outweigh the cons, in order for you to buy into the franchise model.



Please remember that you are investing in someone else's system-someone else's ideas. The key words here are **someone else's**. Unless you are the inventor/idea person, and have **the couple of hundred thousand dollars** it takes just to put together a franchise concept, you have a couple of choices here:

1. You can come up with a product of service of your own, invest an unknown, and potentially unlimited amount of your own money, make tons of mistakes, which cost money, and time. Growth takes longer.

Or...

2. You can leverage someone else's systems, tools, and business acumen. By doing that, you can potentially ramp up faster, try to dominate a market, and focus on growth, while having a good idea of what your total investment will be, up front.

Separating Fact from Fiction

You are bound to hear things about franchising, as you start your quest to find that "perfect" franchise to own.

Things like;

Franchising is a "turn-key" business. Myth or Fact?

It's a little of both, actually. Some franchisors do tout that they have turn-key businesses, and that they're easy to own. **No business is easy to own.** The turn-key part of the franchise is actually **the blueprint** for the business that's being provided. (*An operations manual*)

If you follow the operations manual, you'll have a specific business system to run your business with. (*That's hopefully why you decided on a franchise business in the first place!*)

(Please remember who's actually "turning the key" every day!)

You're "buying a job" when you buy a franchise. Myth or fact?

If you buy specific types of franchises, you're pretty much buying yourself a job. A franchise business that cleans and fixes grout in bathrooms is a great example of a franchise business in which some of the franchisees have actually bought themselves a job. Franchisees that are one-man (*or one-women*) businesses are doing all the work themselves, have bought themselves a job.



Check out this important article: "[Is Buying A Franchise Really Buying A Job](#)"

- Did you know that the franchise company makes all the money? **Fact or Fiction?**
- What does "**makes all the money**" mean to you? Did the franchise company invest **\$150,000 or more**, just to get their concept set-up, and legal?
- Does the franchise company spend thousands of dollars every month on technology and marketing? Training programs? Compliance? Legal?

You (and every other franchisee) pay an up-front franchise fee, and ongoing royalties to the franchisor. Is that "**all the money**?" or, do *you* get to keep some of the revenue you brought in?

So, when you start your franchise exploration, and people say to you, "**why would you want to buy a franchise? The franchise company makes all the money**", you can now be objective about that statement, because you are the one with the facts.

Is it **Hot**?

Are you going to buy that "Hot Franchise?"

If you pass it up, will you regret it?

Maybe....

One of the most important things that I want you to take away from this course is this;

What Goes Up Must Come Down

(Hot Eventually Gets Cold.)

If you decide to look into investing in a "**Hot Franchise**," will that actually lower your risk? After all, it's popular, and it's obviously branded well.

Here are two things to think about before you do it;

1. Are you too late? In other words, did you find out about this franchise too late to really capitalize on its popularity? Is it already in your geographical area? If it is, how many more locations can your area really handle?

*(More importantly, **how many more franchises does the franchisor want to sell in your area?**)*

2. Are you a fit for this specific type of franchise? Are you interested in the newest food craze because you know it a little too well? *(You're a satisfied customer)* Are you thinking about buying this "**Hot Food Franchise**" because everybody's talking about it?

Are you going to buy it "before someone else does?" (**Hurry!**)



Let's go back to "fit" again. If you are looking at buying a food franchise, how much do you know about running a difficult business like a food business? Have you ever *worked* in a restaurant? A food-related franchise could be a fantastic opportunity for you. People do have to eat.

Just do your homework!



Speaking of food franchises, let's talk about a gentleman that was born in 1902; **Ray Kroc**. Ray was a sales guy. He sold milkshake mixing equipment. (**He mortgaged his home to become a distributor of the "Multi-Mixer"**) He was a "traveling salesman." Ray was traveling all over the country, meeting entrepreneurs in the food industry, and selling them his products. In his travels, he had heard about these two brothers from Ca. Dick and Mac McDonald owned a hamburger stand, and were using Roy' milkshake mixing machines in a cool way. They were using them simultaneously! Ray drove to California to see this for himself. What Ray observed was how efficiently the bros. were servicing their customers. They appeared to have an efficient system down to a science. Ray was convinced after seeing this system developed by the McDonald to serve customers, that he would be able to duplicate the idea in Chicago.

Ray cemented a deal with the **McDonald** brothers, and in less than a year, the first McDonald's was opened in [Des Plaines, Illinois](#). Ray saw something big, and tried to convince the brothers that they should start thinking big also. A few years later, the three owned multiple restaurants, but Ray was the one that wanted to build this into an empire. In the 50s, automobile travel was increasingly popular, and freeways were just beginning to get built up in a big way.



Ray Kroc's story gets even better. Read a little more about him, [here](#).

Great story. Now, back to this notion of whether or not you should buy that "**Hot Franchise**." Why do you want to buy it? What's the real reason? Are you afraid you'll miss out if you *don't* buy this "**Hot Franchise**" right now?

I know that it may be hard for you to do, but try to take a few steps back. **Do this;**

- Talk to lots of existing franchisees
- Research your area
- Talk to more franchisees
- Commit to fact-gathering only. Opinions are well ... just opinions
- Draw up a solid business plan

The important thing for you to do is to take the excitement and the emotion out of the equation. Right now.

Then, make your decision.



Fact gathering!

The Brand!

Are you thinking of buying a franchise because you'd like to take advantage of their branding?

Well, you're certainly on the right path.

However, don't buy a franchise just because of the brand...

A **lot** of folks that I work with feel that if they invest in a franchise of their own that has a great brand, like an **AAMCO**, a **Dairy Queen**, or even something like **Subway**, that they are entering the world of franchising in a way that really lowers their risk.

That is not necessarily the case.

Investing in an extremely well branded franchise like Subway or Burger King, does not mean that your investment in that brand will equal guaranteed financial success.

Generally, one has nothing to do with the other.

You obviously have to be the right fit for the franchise, plus there has to be an ample supply of great locations to choose from. Sometimes, a franchise concept is so well branded, the best locations are already taken, and you may have to settle for your 3rd or even 4th choice. If that happens, all of a sudden the brand may not be as important as just maintaining decent cash flow!

The point is this;

A franchise concept's brand is pretty important, but should only be *one of the factors* that influence your decision on whether to proceed and buy the franchise or not.





How Much Can You Make?

I'm really not sure why *that's* important to you, but let's learn a little about franchise earnings....

(Kidding. It's important!)

The Federal Trade Commission (**FTC**) has very strict requirements for franchisors about how they can present **earnings statements** to prospective franchisees. If a franchisor *chooses* to disclose earnings claims (and many franchisors choose not to), **they must be provided in writing** in the Franchise Disclosure Document (**FDD**) and all material information must be accurate and substantiated.

(Only a small percentage of franchisors disclose earning claims, by the way)

In other words, **the franchise salespeople and executives can't tell you how much you can make.** Happy. Now what?

This can cause a little bit of frustration!

Don't fret. There's a way.

First off, if you happen to be researching a franchise that happens to offer **an earnings claim**, you've saved a little time. You'll be able to see in black and white, how long it takes for revenue to start really adding up, approximate break-even times, and more.

However, even if the franchisor supplies this information on paper, it would still behoove you to take *this* extra step;

Reach out to the existing franchisees. This is where the real facts are. And not just the facts concerning your earnings potential.

I've found (*as have the hundreds of folks that I've worked with*) that most franchisees are more than willing to spend some of their valuable time with you discussing their experiences as franchisees. It's how you go about *asking them* that matters.

I go over how to ask this important question about earnings, and more, in "**How To Research A Franchise**," (*Correctly*) a low-cost course that's available here at **Franchise Online University.com**. You'll learn how to access that course, along with my other online course, "**How To Select A Franchise**" at the end of this one. (*Don't worry. These courses are really inexpensive.*)

Franchise research is the most important part of your decision process, although you may not feel that way just yet. During your franchise research, you need to commit to calling **10-12 franchisees** of the franchise company that you're interested in. Calling this many franchise owners will enable you to find happy ones, and unhappy ones.

Here's one of the most important questions to ask franchisees;

"If you could do this all over again, would you invest in *this* franchise?"

Their answers will really give you a good point of reference for when you follow up with the franchise salesperson, to share part of what you were able to learn from the franchisees that you called.

Now, let's go back to the "**How Much Can I Make**" question.

Yes, *of course* it's important to find out how much you'll earn as a franchise owner, how long it will take to get to break-even, and how soon you'll be able to pay yourself from your business.

You'll really be able to find all of that out. It's all in the questions. (*And how you ask them*)

Here's another great question one to ask pertaining to money,;

Was the total investment up front, *exactly* what they told you it would be?

This is a question that may not sound that important, but it actually is. You're trying to find out how accurate the electronic or printed brochures really are. (*If their not accurate, what else may not be very accurate?*)

So, there you have it. More food for thought. This is a lot to digest. But, it's really important to explore franchises in a methodical way.

It's not like you're buying a new washing machine, here.

I think you'll enjoy this article, "**Researching Franchise Opportunities Is Exactly Like Researching Washing Machines**"

I hope you took my little unscientific franchise compatibility quiz. If not, *you should*.

www.TakeTheFranchiseQuiz.com

The results that you'll receive will be a good start to help you determine if the business model of franchising could be right for you.

Successful franchise owners have these traits in common;

- Extremely hard working
- Goal oriented
- Aggressive
- Open to learning
- Team players

Unsuccessful ones are;

- Complainers
- Not self-motivated
- Rule-breakers
- Impatient with results
- Argumentative

Your personality traits will really determine your compatibility (Or incompatibility) with the business model of franchising. Find out who you are, before you invest in a franchise of your own!

Here's a really informative [podcast](#) for you to listen to about some more franchising basics



Will You Look To The Stars?

Now that you know the basics about the business model of franchising, and the personality traits you should have to have a reasonably good chance of success as a franchise owner, should you be looking into it as an option?

The next logical question is this one;

It this the right time? (Is there really a right time?)

In an article I wrote for AllBusiness.com, I suggested *these* as great times to invest in a franchise of your own;

- * **A week after winning the jackpot on a progressive slot machine**
- * **A month after winning the state lottery**
- * **The year your last child graduates college**
- * **After your fifth corporate downsizing**
- * **Three minutes after having a knock-down, drag-out argument with your boss**
- * **The same week your spouse get a 50 percent raise in his or her job**
- * **After attending a Free Franchise Seminar sponsored by a sub sandwich chain**
- * **During autumn's Harvest Moon**
- * **When Jupiter aligns with Mars**
- * **The day after attending your favorite rock band's reunion tour**
- * **A month after attending a "Get Rich from Real Estate" seminar**
- * **A leap year**
- * **Because your neighbor just did**

Kind of silly, I know. But, how many times in your life have had to make a decision based on timing? This is probably one of the biggest decisions you'll ever make. (Financially) Timing will play a role in your decision. Some people use "timing" as an excuse, though. Will you be one of those?



The Beginning

I shouldn't have to tell you that investing in a franchise of your own is a major league decision. Franchising is not for everyone. Business ownership of any type isn't for everyone. The hours required to make your business a success can be overwhelming.

The famous line in franchising is this one;

"You're In Business for Yourself, But Not By Yourself."

That's actually a true statement. Just don't expect the franchisor to be at your beckon call the second you feel that you need assistance with something. It's not going to happen. You are going to have to figure out some things by yourself. That's part of a business owner's role, franchise or not.

Some franchise offerings have the words "Turn-Key Business" in their sales literature. You may be investing in a "Turn-Key" business, but just remember who it actually is that's turning the key, every morning.

I hope you found this free basic online course on the business model of franchising useful.

Now it's time to go out and select your franchise.

I'm sure you know exactly what to look for in a franchise business. You certainly know how to;

- **Figure out if your personality profile is really right for the franchises that you're considering**
- **Do an analysis of your financial situation, to see just how much of your own money you can afford to invest**
- **Find out if the franchise sector you're considering is right for your area**
- **Choose something that won't become a fad in two years**
- **Find the best franchise websites to use, so you won't waste your time endlessly clicking around**



So many choices...

There are over **3,000** different franchise concepts to choose from! **Without a way to weed through all of them, your odds of making the wrong choice increase.** Learn "**How To Select A Franchise.**" (*It's the next course*) If you would like to find out **exactly** how to find the franchise business of your dreams, take this **comprehensive and easy to follow course!** I've made it really affordable! There's a ton of tips that you can use, right away! Learn a little more about the course, [Right here.](#)

If you've already looked at a few franchises, it would behoove you to *do the proper research.* [Here's a course](#) on how to do franchise research that you'll want to take, as it may help you lower your risk. You may not want to admit it, but **you don't really know the steps that must be taken during your due diligence.** *I do,* and they're **all** included in this course on how to research a franchise business. (*Correctly*)



Good luck on your new business!