



ARE YOU READY?

TO FRANCHISE OR NOT TO FRANCHISE?

At this time of year, we all start to think about what the year ahead has in store for us and what life-changing actions we might take.

For many, that means taking the plunge, realizing the dream, and starting a new business to be your own boss - and we ask, 'are you ready'?

In starting a new venture most people have two basic options: The first is what we might call a conventional startup, taking your dream and turning that into a business - being your own boss. The second option might be to do what thousands of entrepreneurs are doing, and that is seeking out a suitable franchise opportunity.

Franchising continues to be a great conduit to get into business as it represents a tried and tested business process. With a franchise, as a business owner you don't have to reinvent the wheel. Becoming a franchisee is also often the speedier entry process into self-employment and ownership as opposed to a regular startup from scratch.

Notwithstanding that - we ask again, are you ready?

Before you embark on a franchise hunt you should have some things very clear and settled in your own mind. One of the major hurdles for all new business owners is that of finance. Whether we are talking about a franchise model or a non-franchise startup, finance will be of paramount importance. You absolutely need a solid financial plan and budget.

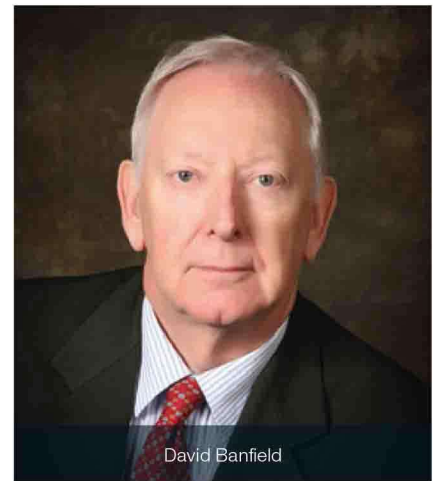
In a franchise environment, you will have two positives working for you in this

regard - first, the franchisor will be able to share information with you in terms of the cost structure to enter the franchise and the all-important startup expenses. Second, the franchisor may be a source of financing, if only in part to get you started. And if they do not offer financing, they will almost certainly have connections to financing sources that may be of benefit to you.

Regardless of your approach - a franchise or non-franchise startup - always ensure that you have a financial contingency reserve built into the plan. Even with a franchise. There may well be unexpected and unbudgeted expenses in the early stages of operation. Statistics continue to show that business failures occur very early in the life of a business, and that most failures are geared to financial issues.

Getting ready, therefore, means having a solid and well-crafted financial plan.

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David Banfield

Clearly getting started with your own venture and being your own boss is not something that can be undertaken lightly or quickly. Planning is paramount to your success. There is no doubt that with a franchise model much of the work and the planning will have already been completed by the franchisor.

This then leaves you with those two basic options, to franchise or not to franchise - is one going to be better than the other for you?

If you see yourself as an individual working within a franchised system where somebody else will do much of the initial groundwork and provide ongoing support, then a franchise may be the answer.

If, on the other hand, you see yourself as an individual that enjoys the challenge of building something from the ‘ground up’ and making changes to the plan ‘on-the-fly’, then a conventional startup may be the best approach.

Whichever model you choose. We ask again, are you ready? Have you done the requisite planning? Is this the right time to turn your dream into reality?

David Banfield is the President of The Interface Financial Group, a position that he has held for over 20 years. He has been instrumental in starting Interface as a franchise opportunity and building it to its current international status. Prior to his involvement with Interface, he worked extensively in the banking, credit and factoring financial service areas.

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Alongside that plan, you’ll also need a business plan which will cover all the other day-to-day issues that will be inherent in getting a business, or even a franchise started.

Once again, in the franchise model approach there is often a wealth of information available from the franchisor with regards to the requirements for getting started. Remember in a franchise model you are unlikely to be the first franchisee, so there will be a wealth of experience on which to draw to ensure that you have a speedy and successful startup.

When you build out your business plan, one of the major areas for consideration will naturally be the location of your enterprise. If you are taking the franchise route, then a decision on location will probably be made in conjunction with the franchisor. In a non-franchise approach, the decision lies squarely on your shoulders. You will need to do your homework very thoroughly in order that you ‘get it right’ the first time. Many business types only thrive in certain areas. Those areas may be linked to traffic flow and/or competition.

Finding the right physical location may be just the start of the location process - questions you need to consider will revolve around whether your business will need a specific operating permit, are there environmental considerations, will it be fully accessible, and so on....If you are starting up on your own, it would probably pay to engage a suitable consultant to help with this aspect of the organization work. These are key issues and, as we have said, you probably only get one chance to get it right.

Another consideration that you will need to address early in the process, will be that of either hiring staff and/or building out a management team. These functions may also cross over with the location aspect, as you may find employees will need to work in a location that is served by public transit. The staff aspect will also fringe on the financial plan. It is straightforward to estimate staff costs, but when does the expense commence? How far in advance of opening your enterprise and generating some cash flow do you hire people and get the payroll started? How long will the training take, and who will the trainer be?