



## The Pros and Cons of Franchising

*by Rick Bisio - Franchise Consultant  
& Author of the Franchise Book - The Educated Franchisee*

Buying a franchise doesn't guarantee you will reach your goals for wealth and independence, but it does improve your chances! Here are six key advantages that franchising offers – and four potential pitfalls.

**1. Buying a franchise increases your chances for success.**

While business ownership is less risky than some other routes to wealth, it is still risky. Buying a franchise does not eliminate the risk, but it certainly goes an incredibly long way toward minimizing it. When you buy a franchise you gain access to a successful and replicable business model, as well as franchise education, on-going training and support. Someone else has figured out the product mix and pricing, the appropriate number of employees, the best equipment, the marketing materials, and so on. All this franchise information is turned over to you. Buying a franchise can eliminate years of start-up time and money.

**2. Buying a franchise can be your route to wealth creation.**

Business ownership is the best route to wealth creation. Read Rich Dad, Poor Dad, or any of the books recommended on my web site, [www.educatedfranchisee.com](http://www.educatedfranchisee.com), or see the charts on pages 63-70 of my book, The Educated Franchisee. If you choose the right franchise, follow the franchisor's system, and take responsibility for your own success, you can make a handsome income, and build equity, potentially leaving you with some nice retirement funds when the time comes to sell your business.

**3. It's not too late.**

People of all ages from all walks of life find success through franchising. It gives young people a solid business and franchise education. Perhaps more importantly, it can be a boon for those who feel "stuck." Franchising offers a way out for people who don't have the time and money to experiment. They can change careers and take charge of their own success.

**4. Franchisees can afford marketing that works.**

Effective advertising is expensive. An individual business owner who is not part of a franchise system is typically unable to spend enough on marketing. At a food franchise I worked for in the past, \$20,000 was the budgeted amount for food photography! The photography was used in stores, menus, brochures – every-



# The Educated Franchisee



where. And when that brochure is published, the food is perfect. It actually makes the customer's mouth water. That is powerful. With all members of a franchise system contributing to the franchise marketing budget, great marketing is made possible.

## **5. Franchisees get volume pricing.**

Individual business owners, especially those just starting out, don't have much purchasing power. But when a whole franchise system is involved, prices come down. Franchise owners usually enjoy the benefits of deals the franchisor makes on behalf of the entire franchise system. These discounts may apply to equipment, supplies, materials, ingredients, store fixtures, and more.

## **6. You're in business for yourself, but not by yourself.**

When you have a question, you can call the franchisor. Many franchisors offer a team of support people who specialize in different areas of the business. You can speak to Mary about accounting one minute, and to Ken about equipment in the next minute. And you can share notes with all the other franchisees! That is how franchise systems – and individual franchise owners – become stronger and stronger. Good ideas are being generated by your fellow franchise owners every day, and as long as you have exclusive territories, there's every reason for that franchise information to be shared.

## **So why doesn't everyone buy a franchise?**

Franchising is not for everyone. It's critical that you assess your ability to do what is required in franchising. If you decide you can't, that's OK – some people aren't cut out for it. Some people need to own their own independent business, or are happier as an employee of a big company with lots of support staff. The time to discover whether or not you have a high probability of being a good franchisee is before you buy a franchise. Here are some common pitfalls.

### **1. Failure to follow the system.**

A franchisee must be willing to follow the franchisor's system. If you are a maverick, if you always need to be right, if your ego is a little north of 'healthy,' you might not be happy or successful in a franchise. New franchisees who come in with a critical eye and start tweaking things lose the time advantage they just paid for. Then, when they've morphed the business away from the model they bought, the franchisor



# The Educated Franchisee



no longer knows how to support them. If you need to blaze your own trail with no restrictions and have trouble following a system, don't buy a franchise.

## **2. Undercapitalization.**

This is the most common reason that franchisees fail. Be prudent with your investment. There are calculated risks, and there are decisions based on hope. The former is the only route to take.

## **3. An Aversion To Fees.**

Once franchisees are up and running, they generally begin to take credit for their success. Concurrently, their need for on-going support and training is decreasing. They may be relying less on the national marketing – now getting some volume of business by word of mouth. They may no longer see as much value in that national brand that helped them get to where they are. That certainly doesn't mean that the value of the brand and the marketing has suddenly decreased. Additionally, it doesn't take into account that most franchisors amortize the cost of training to ease the up-front financial burden on the franchisees - the first few years of training probably cost a lot more than the franchisees spent in royalties. But some franchisees reach a point where they resent the royalties, marketing fees, and product mark-ups. They rationalize that if they started their own business or bought a business opportunity they wouldn't have to make those payments. That's true. Nor would they have received the benefits. If you think you will resent paying the franchise fees, either convince yourself that you will remind yourself of the benefits, or look for another vehicle to get you where you want to go.

## **4. False Expectations**

Being a business owner is difficult. Franchising offers many advantages, but it is not a magic answer. It is not a guarantee. You don't buy a franchise and sit back and wait for the cash register to fill itself. It is entirely likely that early on there will be times when you will be unnerved, times you will need to tap into your savings, times you will have to cancel a vacation, times you wish you were not the go-to person. Some franchisees seem surprised that they no longer have a secretary, a travel department, and an on-site computer repair person. Some people see business ownership as bragging rights – and don't understand that guts that go into creating the glory.



# The Educated Franchisee



Franchising has helped millions of people achieve their goals – over some amount of time, after some amount of effort. To ensure that you join that group, take time to assess your goals, needs, motivations, and drive before you become a franchise owner. Be honest in your self assessments, and if you believe you can overcome some hurdles you will find yourself on the road to creating the life you’ve dreamed of.

---

Sign up for our FREE monthly newsletter at - <http://educatedfranchisee.com/signup.aspx>

The Educated Franchisee is dedicated to franchise education through the sharing of franchise information. Our objective is –

**‘To create educated franchise buyers that have clearly defined objectives and are able to recognize the right, or wrong, franchise when they see it. An educated franchise buyer will move into the franchisee role with their expectations properly set and will have a heightened potential for success within the franchise system creating a win/win for all involved.**

To get more franchise information about how to stack the deck in your favor –

Visit our website at [www.educatedfranchisee.com](http://www.educatedfranchisee.com) or

Purchase our franchise book – [The Educated Franchisee](#) by Rick Bisio, Franchise Consultant or

Contact author directly at [rbisio@educatedfranchisee.com](mailto:rbisio@educatedfranchisee.com) or call 941 778 4660.

