

Franchising is not a **GET-RICH-QUICK SCHEME**

Turning a successful business into a successful franchise system is definitely not a key to instant wealth. That may seem obvious to most of our readers, but apparently it's not common knowledge. I'm often approached by business owners who want to franchise and expect to cash in big right away, much like a hot tech company raking in a huge windfall with its initial public offering (IPO).

There have been cases where a franchise system was launched and the market went crazy for it, generating a lot of franchise fees and money in the bank. Of course, that kind of success will require a substantial investment in manpower and franchise system infrastructure to handle that explosive growth. If the franchisor can't keep new franchisees happy with support, training and financial results, the system will crash and burn just as quickly as it saw the explosive growth.

More typically, launching a franchise is a marathon run toward success. The franchise system should have plenty of capital for investing in the franchise creation and franchise sales process. It also will need resources for training and support. In addition, the franchise founder will be pulled away from operating the original business as the franchise system demands more and more time, so a manager must be hired and trained to oversee the original business.

When I'm evaluating businesses as future franchise offerings, I spend considerable time interviewing the owners to gauge their commitment to franchising or whether they're thinking it's a way to get rich quick.

Does the owner have the capital to cover all aspects of franchise development? Expenses will include consulting work, legal fees, documentation,





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presentation materials, website development and lead-generation dollars. Will the owner have the human resources in place to operate a growing franchise operation as well as maintain the current business?

Many of these support services can be outsourced, especially in the early phases of a franchise life cycle. Website development, advertising collateral, and real estate services and construction are commonly outsourced.

Sometimes the most important advice I can give a business owner is not to invest in franchising. Some businesses aren't ready yet, and others might never be ready. I often advise owners to focus instead on growing their businesses and revisit franchising later, after addressing the issues I've identified.

- Geoff Batchelder

