

# HOW TO FRANCHISE YOUR BUSINESS

**THE BEST WAY TO PREDICT  
YOUR FUTURE IS TO CREATE IT**

**WRITTEN BY  
CHRIS CONNER &  
ALAN GEORGE**

**A PUBLICATION OF**

  
**Franchise<sup>®</sup>**  
Marketing Systems

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# HOW TO FRANCHISE YOUR BUSINESS

## THE KEYS TO FRANCHISING YOUR BUSINESS SUCCESSFULLY

In order to franchise successfully, you must first have a profitable business model and define a consistently validated platform in which to offer your franchise through.

Your business must then turn into your product! You must have a defined franchise marketing and sales process in place in order to deliver that product to your franchisees. The marketing channels and systems used to effectively advertise and sell any business opportunity are based on different standards. They follow a specific process – define what that is for your industry, and your business model.

This eBook will give you insight into the process of franchising your business. Hopefully, it will help you in building your own business plan, thoughts and strategies as they pertain to your business growth.

Franchising can be an extremely effective and profitable way to grow your business. It is the true definition of scale. Franchising allows others to prosper using your proven business model, while effectively building and developing your own larger brand with economies of scale and wider influence. The best thing about franchising is that it allows all parties to succeed!



# ABOUT US

## CHRISTOPHER JAMES CONNER

### President

Mr. Conner has spent the last decade in the franchise industry working with several hundred franchise systems in management, franchise sales and franchise development work. Christopher Conner is a franchise consultant and has a specialized focus on franchise development, and franchise consulting work. Mr. Conner leads the Franchise Marketing Systems Team in franchise consulting and franchise development projects. He holds a B.S. from Miami of Ohio in Oxford and an MBS in Finance from DePaul University.



## ALAN GEORGE

### Vice President

Part of the Founding Team at Franchise Marketing Systems, Mr. George works hard every day to keep his word to President and Founder Chris Conner to create the ultimate “Franchise Marketing System.”

In seven short years, Mr. George has been instrumental in leading our growth from a team of 3 to a staff of over twenty-six. That growth has included a 1,000 membership within 3 years (541% growth) and a TOP 100 Fastest Growing Private Companies in the Atlanta designation.



Mr. George prides himself on having a Ph.D. from the School of Hard Knocks. Always striving to become a subject matter expert in whatever he does, he has used a combination of formal education, corporate training, and extensive reading to become an expert in ROI selling, Value Proposition, Sales Process Engineering, CRM, and Quality Control/Process Building.

*The most effective and successful franchise system launches are done with complete support and guidance along the way. With over ten years of experience in building and developing franchise brands, our expert franchise consultants are highly qualified to help you expand your franchise.*

# FRANCHISING: THE BASICS

## WHAT IS FRANCHISING?

First of all, franchising is the practice of taking and using other organizations or a successful business model to replicate success, through independent owner operators. It is a special arrangement where the owner of a business, known as the franchisor, gives another independent individual, known as the franchisee, the right or authority to market and distribute his/her goods and services. They can then use that business trademark for a certain period of time in exchange for a fee. In simple terms, franchising is when a franchisee pays a fee for the right to use the business name and business system of the franchisor.

*The two most important requirements for success is first, being in the right place at the right time and second, doing something about it!*

**– Ray Kroc, Founder of McDonald's**

Franchising is considered to be one of the most effective methods an organization or business can use to distribute its goods and services, as it seeks to meet or satisfy the needs of customers.

Also, franchising is a win-win-win business relationship. First of all, the franchisor gets an opportunity to expand his market presence, without having to use his own capital.



Secondly, the franchisee gets the advantage of gaining access to an established or stabilized business system at a lower risk. And thirdly, the customer benefits from having greater access and availability to the franchised brands goods/services delivered to them by a caring owner operator.

The relationship between the franchisor and the franchisee is mutually beneficial, with the full obligations and duties of each party clearly outlined in a detailed and comprehensive franchise agreement. The franchise agreement and disclosure document are customized for each individual franchise and explain the franchise opportunity, the costs, duration, renewal terms, and ongoing fees.

***There's no reason to be the richest man in the cemetery. You can't do business from there!***

**- Colonel Sanders, Founder of Kentucky Fried Chicken**

## WHAT MAKES A BUSINESS FRANCHISABLE?

It is recommended that for a more precise analysis, that a consultation is conducted by a seasoned franchise consultant to fully determine franchisability. The following criteria provide a general starting point for evaluating the franchisability of a business. While there are many variables and factors to truly assess a business' viability, these points should help in the initial assessment.



The business is currently in operation and has had time to prove its commercial prowess. This means that the business should have been in operation for at least three years.

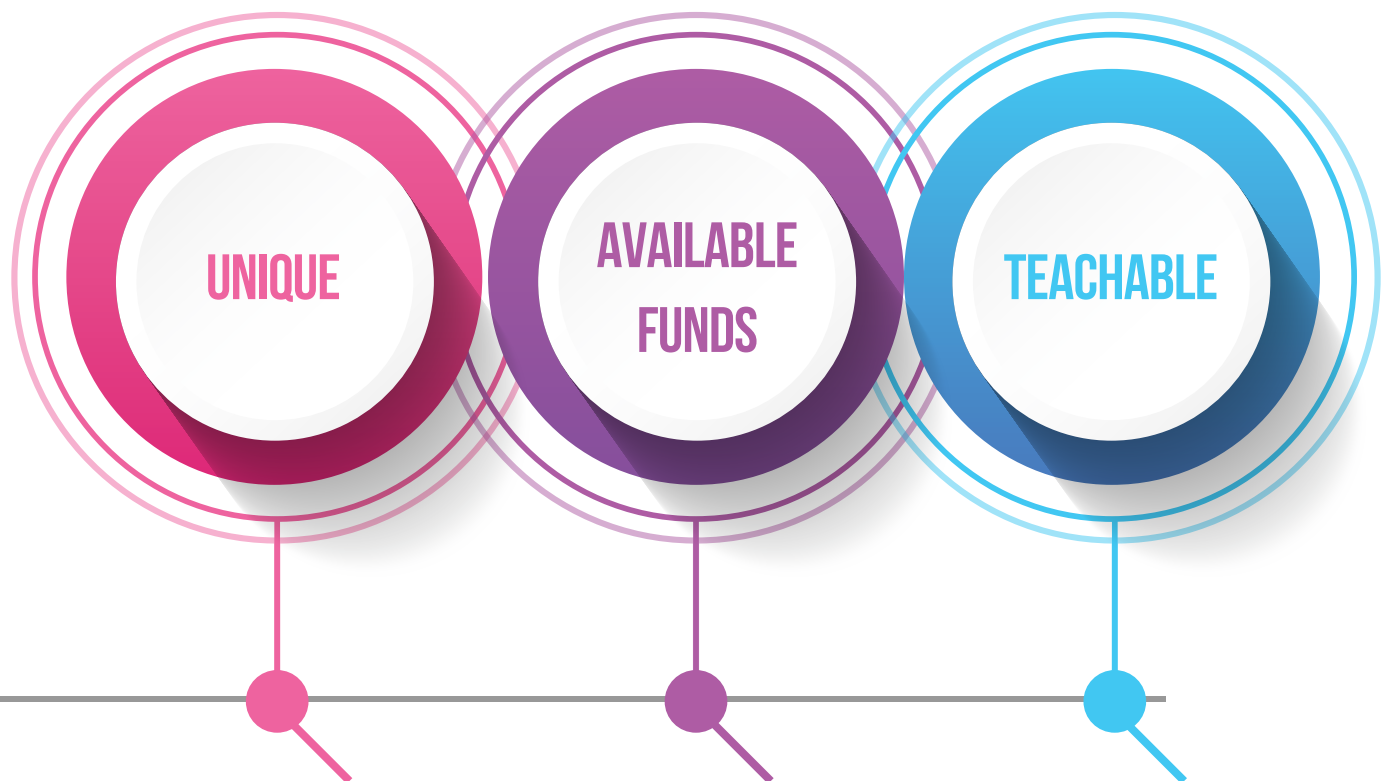
The business must have a national adaptability. This means that the business should have a stable and reliable market, both locally and nationally.

A profitable business plays a major role in allowing both the franchisor and the franchisee to earn a decent and reasonable salary at all times. Essentially a franchisee should be able to generate a 20% return on their cash investment, plus earn a manager's sales commissions if they are the owner/operator.



*Success seems to be connected with action.  
Successful people keep moving. They make  
mistakes but they don't quit!*

**- Conrad Hilton, Founder Hilton Hotels**



The business should have something unique or special that makes it stand out from the rest. It needs to offer faster, better, juicier, more affordable, or more reliable products and services to clients in its own unique way. What makes your business a better mousetrap than the rest of the industry?

The more a franchisee can get necessary financial support, the more successfully a business can be franchised. Things like furnishings and fixtures, buildings, and receivables are all easy to finance and make it easier for businesses or companies to create leverage.

The business concept must be teachable to franchisees within a reasonably short period of time. Franchisees must be given proper and comprehensive training and coaching before getting into the franchising business.

# CREATE A FRANCHISABLE BUSINESS

## WHAT MAKES A BUSINESS FRANCHISABLE?

It is important for franchisors to understand that not all potential franchisees are entrepreneurs. In fact, most of them are not what someone typically thinks of as a traditional entrepreneur. Instead, most franchisees are either employees or unemployed, seeking to improve their financial status, and/or have recently left their jobs looking for ways to become their own bosses.

## THE MENTALITY OF OWNING A BUSINESS

The common thing about the two groups is that both have the mentality of owning their own business but in one way or another, lack the required capital, industry experience, or business skills to make it happen on their own.

They, therefore, end up taking advantage of established business systems capable of providing them with some or all of the most important benefits of franchising. This includes co-operative advertising, operational support, training, access to financing, site selection, successful marketing ideologies, and guaranteed mass purchasing power.

"Not all potential franchisees are entrepreneurs!" So, why should you consider franchising your business? Well, that's a great question!

# WHY FRANCHISE?

## CAPITAL

The franchisee does not become your employee or worker, but rather your independent contractor. This means that he is responsible for bearing various operational costs including marketing, renting or leasing equipment and materials, taxes, and payroll. As the franchisor, you will provide support and training. You will not have to manage the day to day activities.

1

## HUMAN CAPITAL

### Local Management With Motivation

By selling franchises you are able to lock in a vested owner/operator who will provide local market knowledge, to maximize their ROI. Since the individual is well aware that success depends on how hard he works, he will always be motivated and determined to make the business grow!

2

## SPEED

Selling franchises is one of the fastest ways through which you can expand your business and brand name faster and more effectively. Within a few months or years, your business can actually grow from regional to national or international recognition! Your franchisee holds the full responsibility of recruiting and training new employees on a local basis, and also running vigorous marketing campaigns, in addition to fronting the required capital to run the business. The Curves Franchise opened 10,000 franchise units in its first ten years of operation.

4

3

## PASSIVE INCOME

Selling franchises allows you to receive passive income without much sweat. Typical franchise agreements oblige franchisees to commit themselves to paying royalties, which in most cases range from 5% to 15% of gross sales.

# HOW TO FRANCHISE

## 1 DETERMINE THE READINESS OF YOUR BUSINESS

The most important thing that you should do is to determine if your business is franchisable. Apart from having a good track record of sales, you should also take other important factors into consideration such as the business concept, track record, profitability, and the consumer behavior.

## 2 THINK ABOUT HOW YOU WOULD LIKE YOUR BUSINESS TO GROW

For you to have a prosperous business, you must think and come up with good business strategies. You might think about expanding from a regional level to a national or international level, adding more outlets, using more marketing strategies, or even working with more motivated and active staff members.

## 3 REGISTER AS A FRANCHISOR

In order for you to get into a legal franchising business, it is very important for you to fulfill the legal requirements. While complying with your local or national franchise authority, you will be asked to provide more detailed information about your business, including your business experience, audited financial statements, and how you intend to work with the franchisees. More on this will be explained in the next few pages.

## TIP

*For you to go through the registration process more successfully, it is very advisable to seek the assistance of an experienced franchise professional who can ensure that you are going through every step correctly!*

### SCREEN YOUR FRANCHISEES

Before you start selling your franchise, you should take your potential franchisees through a thorough screening process. Because they are going to represent your brand and trademark, you must ensure that you choose the right people who are capable of steering your business in the right direction. Once you identify the right franchisee, make sure you agree with them on the vital rules and regulations before you sign the franchise agreement.

# 4

### OFFER SUPPORT TO YOUR FRANCHISEES

As the franchisor, one of your most important responsibilities is to ensure that your franchisee gets all the necessary support they need at all times. Ensure that you provide them with enough training and support to keep them operating successfully.

# 5



# GUIDELINES

## THE RULES, COSTS, AND GUIDELINES TO FRANCHISING

Franchise rules can be a bit complicated. There are different sets of federal and state laws governing franchising. These rules have uniformity federally but vary from one state to another.

The body in charge of regulating franchising in the United States is the Federal Trade Commission (FTC). The FTC Franchise Rule applies to all states in the US and generally determines whether a business is a franchise when the following elements are in place:

- **SOMEONE PAYS YOU A FEE GREATER THAN \$500**
- **THIS PERSON THEN USES YOUR BRAND OR TRADE NAME**
- **THIS PERSON USES YOUR OPERATING & MARKETING SYSTEMS**

When these pieces are in place: Name, System, Fee, you then are most likely a franchise, and will then need to comply with franchise guidelines.

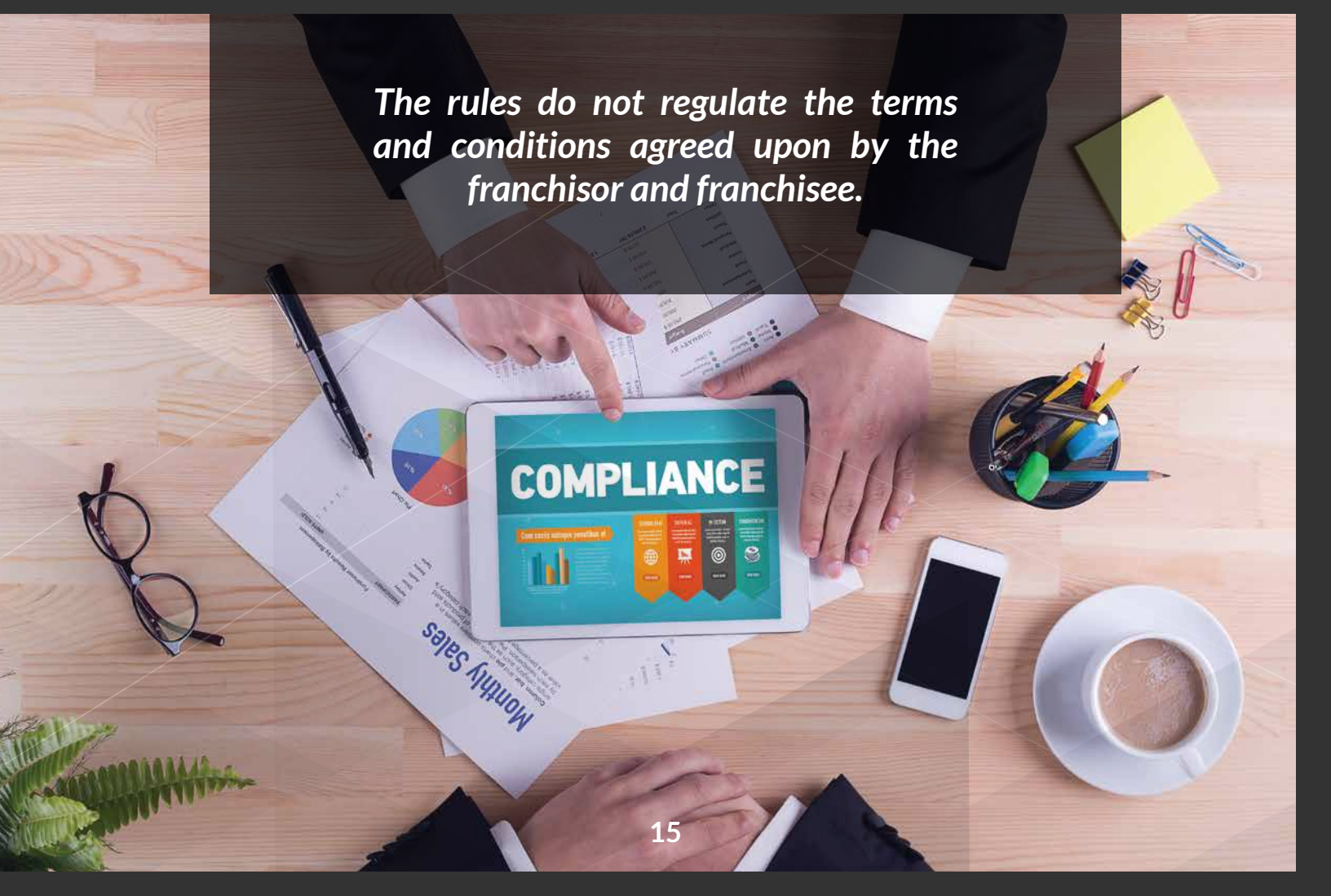
## TIP

*If you are considering franchising your company, get in touch with people who have the skills and knowledge to help you get the most out of your franchising plans!*

According to the FTC, there are about 15 states in the US where franchisors are required to register the Franchise Disclosure Document (FDD) with all their potential franchisees. These states include Illinois, South Dakota, Michigan, California, New York, Maryland, North Dakota, Wisconsin, Minnesota, Indiana, Washington, Virginia, Hawaii, Oregon, and Rhode Island.

Even though many States do not ask for the approval of the FDD, the franchisor is obliged to register with his state agencies in order to sell his franchise there.

Apart from ensuring that both the franchisor and franchisee make informed decisions, the FTC also ensures that all forms of deception and misunderstandings in the sale and buying of a franchise are prevented.



***The rules do not regulate the terms and conditions agreed upon by the franchisor and franchisee.***

# FRANCHISE DISCLOSURE DOCUMENT

## FRANCHISE DISCLOSURE DOCUMENT (FDD) REQUIREMENTS

The FDD requires you as the franchisor to:

- Disclose your company's history and management structure
- Provide details of all the financial arrangements you will be offering the franchisee
- Provide any restrictions on your services and products
- Provide information about your existing franchises, such as how many there are and how many are operational
- Contact details of your current franchisees who can be contacted for information
- State how you would like the relationship between you and the franchisee to be
- Provide trademarks, copyrights, and patents
- Provide fee schedules for opening, running, and ending the franchise
- Follow a specific sales process in presenting and selling to a potential franchisee
- State your projected capital investment and territorial protection rights





# FRANCHISING COSTS

## FRANCHISE FEES

Franchise fees are divided into three categories:

### 1 FRANCHISE FEE

The franchise fee goes to cover the cost of assistance and training while the franchisee. It also covers expenses for site identification, recruitment, franchisee launch, and territory analysis. This fee typically ranges between \$10,000 and \$50,000 but can go as high as \$150,000.

### 2 ROYALTY FEE

The royalty fee is mainly meant to pay for ongoing franchise assistance and is the true wealth creator for the franchisor. It is usually paid on a weekly or monthly basis and collected via an auto draft. This fee usually ranges between 4% and 15% of gross revenue.

### 3 NATIONAL ADVERTISING FEE

The national advertising fee is what is required to be paid back to the franchisor for national marketing efforts. This is a collective marketing bucket that is used for the greater branding, marketing, and awareness of the franchise organization. This fee usually ranges between 0% and 5%.

# MARKET & SELL YOUR FRANCHISE

## WHO IS THE TARGET AUDIENCE FOR YOUR FRANCHISE?

When considering the target franchise profile for your business, look at a number of relevant issues related to who you want to be operating your franchises. Typically, if you consider who you might hire to manage one of your locations, and would entrust them with the operational responsibilities of a “unit,” these same characteristics and traits should be inherent in a franchisee. Your focus should be to retain franchise operators who match the characteristics and abilities of a good manager, only now they will be investing in your business, as opposed to just working for you. Once the buyer profile has been established, formulate a number that should dictate who can afford your franchise. Once you have established the initial investment and the overall financial requirements needed to open the franchise, you will be on your way to successful franchising!

## BENEFICIAL SKILLS FOR SUCCESSFUL FRANCHISING

### Strong Sales & Customer Service Abilities

They preferably should have sold similar products or services in the past, which relate to what they will be doing when opening your franchised business model. It would be helpful if they also have some preexisting business contacts as well, which they can call upon when the business is opened so that they can utilize additional support for its growth.



## **Hard Working and Highly Self-Motivated**

Even in the franchise model, someone's drive and commitment to success will determine how well they do as a franchisee.

## **Organized and Structured**

Franchise candidates who have shown the ability to manage, organize and lead, will typically be more successful as business owners.

## **Some Aptitude With Technology**

Good candidates for your franchise model will know and understand the basics of technology enough to grasp and understand how to manage communication through email, virtual teleconference, and smartphone applications. In today's day and age, these skills can be as important as ever to communicate with a wide-ranging network of franchisees.

## **Well-Developed People Skills**

Strong relationships with affiliates, suppliers and between franchisor and franchisee will help franchise owners be successful in building their businesses.

## **High Personal Standards**

Excellence, honesty, integrity, etc. – credit and background checks should be run on candidates to confirm that they are decent candidates. They will be required to fill out an application that will determine whether they meet minimum specifications as a franchisee.

## **Able to Meet Initial Investment Requirements**

A franchisee ultimately needs to be able to cover the expenses and investment needed to start the business and operate the model for three months without cash flow from the operation.

# EVALUATION & APPLICATION

## THE EVALUATION & APPLICATION PROCESS

Throughout the sales process, there should be a structure that requires the buyer to “Give to get.” This concept is simple! To continue through the sales process, the buyer must provide feedback and show commitment to the franchise buying process in order to be progressed through the model.

This could be as simple as requiring the franchisee to fill out a single application and evaluation form, or as complex as having them go through background screening, credit checks, personality testing and multiple franchise evaluation forms.

We recommend, at a minimum, a single evaluation form that provides the franchisor (YOU) with enough information to get a basic understanding of the candidate’s ability, work history and skill set. The form should also have a sign-off providing the franchisor with the ability (legally) to run a credit check on the candidate.





You should absolutely verify financials. Many franchise candidates will say they have the funding because they want the franchise, and not necessarily be telling the truth. You need to verify this as the franchisor, to protect your system and its future. Starting a franchise without the needed capital is usually a recipe for disaster!

Use the evaluation as a selling tool. “We need to get to know you better, and this will carry you to the next stage of the process with us!” In our experience, buyers won’t send an evaluation form in until they are serious and relatively committed to a franchise concept. It is a very good sign to receive an evaluation form. This shows that the franchisee is looking seriously to buy!

# GOALS & BUDGET

## DEVELOPING YOUR GOALS & PLANNING A BUDGET

Develop a Marketing Plan for your franchise, which outlines a franchise sales and marketing program for the first 12 months of the franchise sales effort. Present industry standards for establishing a budget is \$1,000 - \$5,000 per unit sold on average. It should be your plan and goal to bring this average down and to find ways to more efficiently introduce your franchised business model to qualified prospective candidates, with less of an expense per sale.

Please note that your budget figure should include production, administrative, and other miscellaneous costs—we usually estimate this to be at least 10% of the Marketing Plan Budget indicated above, plus the cost to print the franchise sales brochure, and time needed to send brochures and to handle administrative duties that are part of the franchise marketing process.

This plan should be used as a guide for your franchise expansion plans and should be re-evaluated throughout the course of the first year's execution and implementation.



# REASONS TO FRANCHISE

## FIVE GOOD REASONS TO FRANCHISE

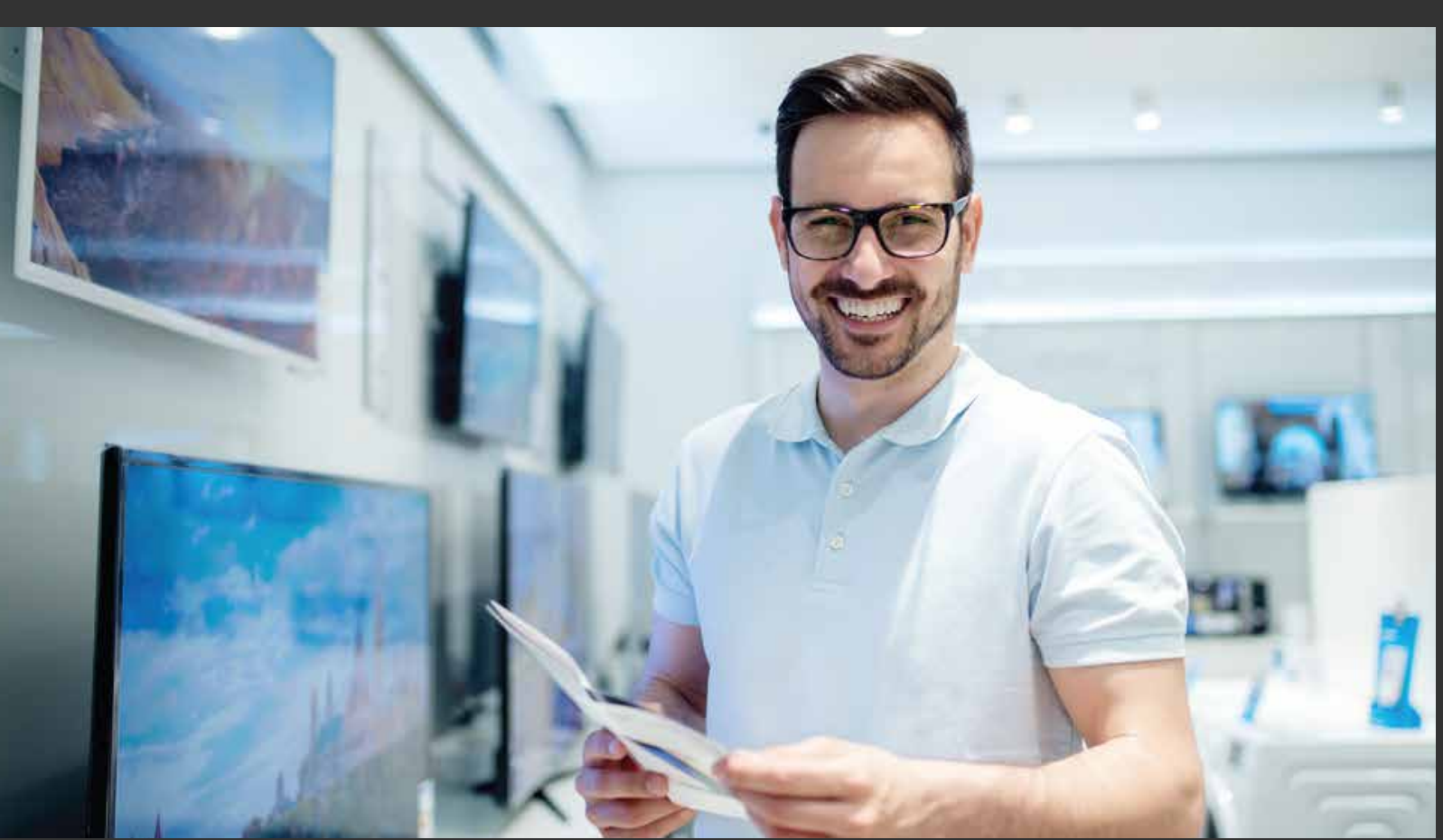
An excellent way to be clear on why anyone should buy your franchise is to develop a list of three to five good reasons as to why an investor would want to buy into your franchise system. These will be your key points as to what the value of your franchise model is, and these should be reiterated in all of your franchise marketing communications.

Strategic partnerships with vendors and suppliers in place – big brand and big resources behind your business model.

A business model that allows for scalability without the initial investment of a traditional business, with recurring revenue from continuing services – “sell it once and continue to see the revenue!”

One of a kind business model and service suite, to be offered to business owners.





A market with unlimited growth potential that currently generates in excess of \$\_\_\_ billion per year in revenue, and by the year 2020 will generate in excess of \$\_\_\_ billion per year in revenue.

Training, support, and guidance that has been designed, customized and tailored to fit each franchisee's needs. We stand behind our franchisees to the fullest extent and have a team of professionals fully committed to each franchisee's success!

# FRANCHISE LEADS

## HOW TO HANDLE FRANCHISE LEADS

It is important to remember that anyone can visit your site and request information on your franchise. Just as in the phone screening process, we will determine for you whether a lead that comes in through the franchise lead generation site is qualified or not. We do not want to waste your time and our time on unqualified leads. So, we will need to work through an efficient process in order to disqualify those leads who do not fit our specifications as a potential franchise partner for you.

We will use a process to work our prospects online, taking them through the specific steps of our pre-qualification, to lead them all the way through to an online discovery day process. In doing so, this will allow us to tighten the selling cycle from a prospect lead to a franchise, decrease cost, and increase the likelihood of a highly qualified franchisee, who is ready to sign an agreement.

Before developing a franchise organization, consider the sales process and needed staffing, to effectively sell and market franchises of your brand.

# MANAGING FRANCHISE LEAD GENERATION FOR A FRANCHISE MODEL

## 1. Franchise advertisement will include:

- Compelling message
- Attractive branding
- Interesting business idea
- Clear display of cost and investment required

## 2. Information request sent to us

## 3. Auto-responder email sent to the prospect

- Further builds a message about your franchise
- Narrows who we are looking for and requirements to qualify for your franchise.

## 4. Phone call/email until contact made by account manager

- Position your franchise as a selective group

## 5. Get applicant survey form back

## 6. Get applicant to a franchise webinar presentation with “MANAGER”

## 7. MANAGER presents agreement following presentation

## 8. Close franchise acquisition

## 9. Collect payment

You should develop autoresponders to follow-up with the prospects, which would provide additional information, and keep the buyer interested in your franchise concept. You should use standardized letters sent via email in response to prospect inquiries that would provide prospects with an immediate response, and help streamline the marketing process as well as providing a consistent message to your franchise candidates. It also communicates to prospects that we are a well organized, efficient, and technologically competent organization.

# DISCOVERY DAY

## PLAN A DISCOVERY DAY WITH POTENTIAL FRANCHISEES

It is important to remember that the idea is to drive the candidate through the sales process until they reach the discovery day. A "Discovery Day" is the meeting where a candidate is introduced to your franchise model, you as the owner/founder, your management team and anyone involved in the franchise concept. This meeting is critical in that it is in many ways the final stage of the process, and typically determines whether and when the buyer moves forward with your franchise.

We have found that most buyers when they have purchased a flight, committed to a trip and spent a day/weekend or afternoon with you at your place of business, are serious about your business model and will usually move forward in a positive way. Over 70% of the Discovery Days we have held have turned into franchise sales!

Our advice is to plan a Discovery Day with your prospective franchisee that is relaxed, comfortable and focused on the relationship. Take time to plan out a day that will introduce them to your business, but won't make the day feel like a structured presentation without personality. You want the buyer to feel comfortable, and to leave the meeting feeling like they have a connection to you and the people behind your franchise. This in many ways is more important than the hard facts related to how you operate your business, but you do need to show them the tangible elements of how you operate your systems and procedures as well.

You may also choose to have a potential buyer sign an NDA, prior to visiting your location in order to protect your intellectual property and business model. Remember, 70% of our "Discovery Days" have turned into franchise sales. So be sure to take the time needed to plan out your Discovery Day well!

## **FIND OUT IF YOU SHOULD FRANCHISE YOUR BUSINESS**

Speak with franchise consultants who have spent years working with organizations to build, develop and execute franchise expansion strategies.

### **A consultation with us will include the following elements:**

- We will analyze whether or not your business has the concept strength to be a successful franchise.
- We will review your current business practices, and how that translates to franchising.
- A discussion of how marketable your franchise could be in today's environment.
- What could be your potential return on investment?
- A review of timing, and the competitive overview of similar franchises to yours.
- Examples and results for franchise systems in businesses that are similar to yours.



# YOUR FRANCHISE CONSULTANTS

## ARE YOU LOOKING FOR A FRANCHISE CONSULTING FIRM THAT WORKS?

Franchise Marketing Systems is the only full-service franchise consulting agency that offers marketing and sales support to its clients. The most effective and successful franchise system launches are done with complete support and guidance along the way. With over ten years of experience in building and developing franchise brands, you want to work with our expert franchise consultants when considering a franchise expansion program.

### Franchise Consultants

Franchise Marketing Systems provides full-service franchise sales and marketing support to new and existing franchisors. The basic premise of Franchise Marketing Systems is that you can franchise a business effectively and with great results without large upfront fees or high overhead for your new or existing organization. The Franchise Marketing Systems model is one of the most affordable options in the franchise industry for truly professional and proven franchise consulting.

### Franchise Consulting

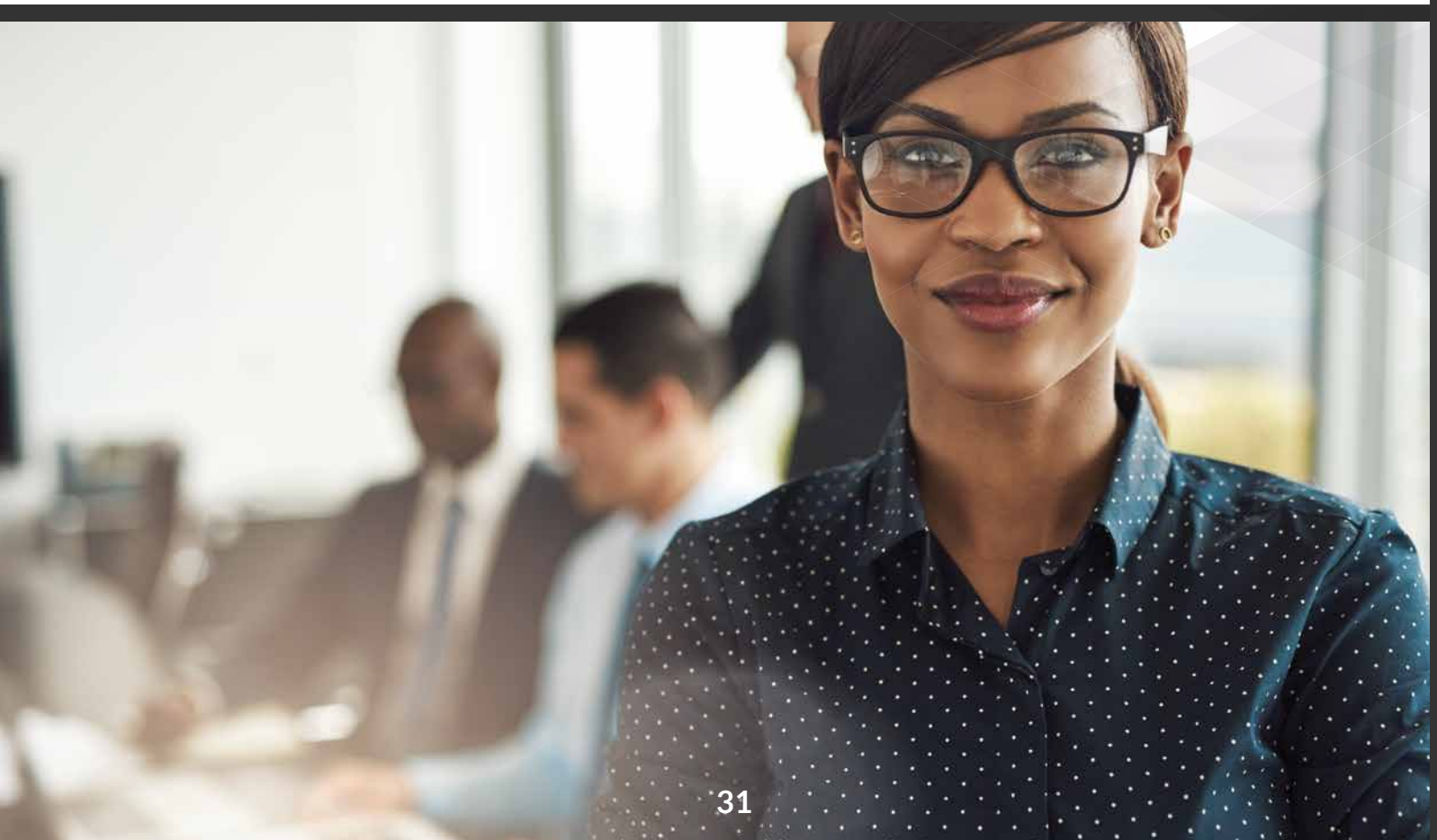
Franchise Marketing Systems will help structure and model your organization appropriately for replication into new markets and in order to build a franchise or license model that is attractive to potential buyers and investors. The basic concept is to have a business that shows the potential for growth and opportunity to the buyer, but also the necessity of having the franchisor's support and coaching along the way.

## Marketing and Presentation for Franchisors

Franchise Marketing Systems is the only full-service franchise development firm in the market. You will have proven franchise executives representing your franchise or license concept to potential buyers. The franchise sales process begins initially with phone work and a consultative sales process that will eventually get the potential buyers at your doorstep. Ultimately, you will make the final call as to who you work with, but the follow-up, phone calls and emails will be handled by proven franchise consultants and sales veterans.

## Franchise Discovery Days and Franchise Management

Franchise Marketing Systems will work alongside you as long as you would like to have the support and oversight of our team. This may include discovery days for new franchise owner presentations of which we will manage and present to the new buyers, franchise conventions, franchise training and franchise relations. Whatever the area of franchise development or management, Franchise Marketing Systems has worked with and has experience in this entire field.



*Visit us online for more information on how to  
Franchise, Sell, and Grow your business!*

[WWW.FMSFRANCHISE.COM](http://WWW.FMSFRANCHISE.COM)

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you get started right away!*

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*For reasonable monthly fees, you can have our franchise  
consultants guide you through this exciting process.*