

The Essential Guide to Preparing to Franchise Your Business



By Bob Steinberger

Franchising isn't an overnight process.

Most good things never are. But while franchising isn't an easy task, the truth remains that when you combine a strong business model, a well thought out and strategically planned foundation and the patience to set up your franchise properly, the end product will be life-changing.

Depending on what stage your business is at today, franchising can take anywhere from three months to several years. No matter where you are on that timeline, it's important to lay the groundwork now, taking steps to strengthen your ability to franchise faster when your business is ready.

Here is a blueprint for what steps you will need to take before franchising your business, so you can start preparing now.

Trademark

One of the few time frames you can't control, the process of acquiring a trademark can take 8-12 months. This is a great starting point for businesses thinking about franchising. The process of applying isn't as time intensive as the approval process, so I always encourage business owners to apply as soon as they decide to franchise.

There are four types of trademarks, but the most used ones (as defined by the U.S. Patent Office) are:

Trademarks — used by their owners to identify goods, that is, physical commodities, which may be natural, manufactured, or produced, and which are sold or otherwise transported or distributed via interstate commerce.

Service Marks — used by their owners to identify services, that is, intangible activities, which are performed by one person for the benefit of a person or persons other than himself, either for pay or otherwise.

The other more uncommon ones are Certification Marks and Collective Marks. Depending on your business, you may need more than one. Completing this process early gives you the freedom to launch your franchise when your business is ready, not when the patent office finally gives their blessing.

Trade Dress

Your trade dress covers a wide scope of your business. Think of it as the core branding of your business. While it's important to explore all aspects of your trade dress, what you will need to nail down are tangibles needed and upfront costs. Finer nuances, such as greetings and packaging, can be finalized later. Start with the most expensive, or biggest items, and work your way down.

What type of space is needed to operate the business?

What equipment is needed (customized kitchen equipment, vehicles, specialized stations, etc.)

What are prospective costs for insurances?

What items are needed to operate (furniture, phone systems, computers, etc.)

Outline the start up costs to open your business from scratch. What a potential franchisee will need to know is how much it will cost to open his or her business doors. While you cannot know exact costs, supply an accurate range. For example, my video gaming company has a start up range of \$100,000-\$148,000.

If you don't want to franchise with your current trade dress, start envisioning what that trade dress will be. It is not uncommon for businesses to change their trade dress before franchising. Some businesses open another location as a prototype to test it out.

Prove the System

You know that your business works, but it will be critical as you begin recruiting franchisees to showcase to them that it works and that it will be easy for them to be successful.

This is where the "prove the system" comes in. You will need to have a solid business plan, financial projections, and a marketing plan in place. You will also need to have a solid understanding of your target market and how to attract them to your franchise.

Operations Manual

This is your secret sauce. From A-Z how your businesses operates successfully every day. This comprehensive guide on proven techniques running your business is why people buy into a franchise. Using your proven platform, they strengthen their chances for success.

This tell-all document is a proprietary product, meaning you legally own the material. Within the franchise, only key upper management will see this document. So rest easy and divulge all your trade secrets. Remember the more successful your franchisees are, the more profitable your franchise will become.

While no operations manual is the same, yours should include things like:

- Management: Position Descriptions, Hiring, Training, Firing
- Operations: Opening, Closing, Using Point of Sales, Reports, Day-to-Day Tasks
- Customer Service Expectations
- Marketing
- Technology: Key Software, Equipment, Point of Sales Systems
- Managing Capital: How to do the Books, Ordering Products, Payroll

Plan on several months to write a quality operations manual. You will want to test it, allow key management to provide feedback on their department and ensure that you aren't overlooking any areas.

Franchise Disclosure Document (FDD)

This in depth legal document includes 23 mandatory disclosures outlining requirements, restrictions, obligations, contracts and more. This is where you will include the start up cost range you established when you evaluated your trade dress. Going beyond just contracts and fees, this document also communicates the expectations of the franchisee, as well as the franchisor.

To avoid jumping into all the legal terms, here are several things to consider when starting:

What restrictions will you have on the franchisees (products allowed to sell, geographical restrictions, vendors, etc.)?

What obligations will you expect of the franchisee?

What will the franchisee be able to expect of you?

Account for Future Growth

Franchising creates tremendous opportunities to develop revenue streams. While the initial franchising fee is nice, the real profit comes from monthly fees, proprietary products and royalties. For example, a pizza restaurant franchisor could develop a proprietary pizza sauce, manufacture it and sell it to the franchises above cost, but below retail.

The important step here is to spend time accounting for future opportunities. Developing these products should not hold up launching your franchise. Rather build in opportunities to develop proprietary products down the line.

Royalties and Revenue

Once you complete the franchising process, there are several ways to go about gaining your first franchisees. While there are steps you can take to attract franchisees faster there is no clear way to determine how long that process will take. What is more predictable is the length of time it will be until your newest franchisee produces revenue for you. Your standard brick and mortar location takes 180 days to 9 months from signing to get up and running to the revenue producing point. This accounts for the time needed to lease a space, hire and train staff and become fully operational. Cut that time in half for your ecommerce or untraditional models. Just remember that once they are in full swing, your monthly royalties will start rolling in, paying you for your patience.

Conclusion

While the franchising process can seem overwhelming at times, remember that it is an in depth process now, but the overall gains in the long run make the process worth it. I encourage you to consider franchising as a part of your business plan, and I hope that this roadmap is the guide for your future success.

**For more information on Franchising your business, please visit:
<http://www.francapcorp.com>**