

HOW TO SUCCEED AS A FRANCHISE

Annotation. The article is concerned with the problems of franchising. Different definitions of franchising are provided; the key characteristics of franchising are regarded. Particular attention is focused on the requirements for franchisers and franchisees to make this type of business successful.

Анотація. Розглянуто деякі проблеми франчайзинга. Вивчено різні дефініції франчайзинга, розглянуто його головні риси. Особливу увагу приділено вимогам до тих, хто надає франчайзинг, а також до тих, хто його отримує з метою зробити цей бізнес найбільш успішним.

Аннотация. Рассмотрены некоторые вопросы франчайзинга. Изучены различные определения франчайзинга, рассмотрены ключевые характеристики этого вида бизнеса. Особое внимание уделяется рассмотрению требованиям как к тем, кто предоставляет франчайзинг, так и к тем, кто его получает с целью сделать этот бизнес наиболее успешным.

Keywords: brand name, franchising, franchiser, franchisee.

Franchising is the practice of using another firm's successful business model. For a franchiser, a franchise is an alternative to building 'chain stores' to distribute goods, that avoids the investments and liability of a chain. The franchiser's success depends on the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

The aim of this article is to get an insight into a new method of doing business – franchising and to get some practical advice in the area of franchising management.

The objectives of this article are: to consider the essence of franchising; to learn the mechanism of choosing and starting franchise; to study the ways of improving your franchise to get more profit.

Although a great number of outstanding people such as J. Libava, J. Mathews, M. Seid, D. Wiczorek worked in this field, the problem has not been studied properly.

The practical application of the article is to use the results of the work in starting a business as a franchisee and getting advantages for other people who do not know about the alternative ways of investing.

With thousands of franchise systems operating in dozens of industries, there is no shortage of choices for people interested in buying a franchise. At the same time, the numerous choices can make that decision a challenge for even the most determined would-be franchisee. By first defining what you want and then using that information to narrow the field, you can make your decision both manageable and more likely to succeed.

Start by asking yourself what kind of a franchise you want to operate. You will need to consider the hours you are willing to work, the kinds of work you enjoy and whether you prefer working directly with customers or remaining behind the scenes. Key factors also include how much income you need to generate and how much cash and borrowed funds you can commit to the deal [1; 2].

As a general rule, you will want to avoid industries and fields that are either too crowded or too thinly populated. Crowding creates competition, while the absence of franchisees in a particular niche suggests that it either does not lend itself to franchising or that the market has not yet developed adequately [3; 4].

The franchiser should offer a well-known brand name, a track record of proven performance and a good reputation among past and present franchisees. The franchiser should also have a detailed manual of operations to help you run the business according to tested principles but also give you enough flexibility to help you adapt to specific circumstances. The franchise must also, of course, conform to your requirements for income and investment [1].

Once you have set some parameters, several sources (International Franchise Association, FRANData, World Franchising Network, etc.) and services will help you sift through the world of franchise opportunities to reduce the vast array of choices to a manageable number from which to choose [5].

While prevalence of franchising in the world economy indicates that franchisees can succeed, hundreds of franchisees fail each year. The most frequent causes are: lack of funds, poor people skills, reluctance to follow the formula, a mismatch between a franchisee and the business, and poor management. Often, it is the small stuff that separates winners from losers.

Among the most common mistakes new franchisees make is signing on before thoroughly researching the business. Study what it will take to run the business successfully. And be realistic. Owning a franchise is rarely a get-rich-quick scheme.

Contact current and former franchisees to get their feedback, using names from the franchise circular from the franchisers. Never make a commitment based solely on information provided on the Internet or over the phone [4].

Another pivotal decision early-on is location. Think twice before locating a franchise using only your intuition. A location on the outskirts of town might be more affordable but may be too remote for customers to reach conveniently. Other

factors may be at play. For example, one franchisee thought his spot on a college campus was perfect for his fast-food franchise. Students were a built-in source of employees and customers. And they were – when they were around. But they disappeared for football games and vacations. At the end of each semester, they had little spending money left for take-out or delivery. The location had no parking and so had no other customers. It eventually moved to a freestanding building with a big parking lot. It still delivers to campus, but now also serves families, whose average order is much higher than a typical student's tab [5].

To find potentially successful locations, national chains use what is called geographic-information-systems software that layers census and consumer-trend data upon every street and byway in the country. Also consider whether adequate parking is available [4].

Another key to a success of a franchise is a good customer service. That may include making additional investments to improve customer experiences, working overtime to satisfy customer time demands, and putting out extra effort to ensure products and services are done right [2; 6].

While franchise systems offer pre-set business formats, flexibility and versatility help a lot. That is especially true when it comes to marketing and promotion. To bring customers in the door, successful franchisees report using tactics such as discount coupons, free samples, direct-mail ads and fax blasts. No marketing job is too small or difficult for a franchisee determined to succeed. Many franchisees have success with community-based marketing initiatives, such as those involving schools [5].

For every franchisee chasing success, there are many competitors engaged in the same pursuit. Studying the competition by visiting their locations and looking for help-wanted signs signaling expansion plans, for instance, helps long-lived franchisees know when to initiate marketing plans to counter rivals' efforts.

Franchisees cannot succeed without good employees. Winning franchisees treat employees well, so they will treat customers well. Some franchise businesses, such as fast food, have high employee-turnover rates. Providing corporate-style benefits such as medical, dental and retirement benefits can go along way to helping workers feel as though a franchise job is a career. Making sure employees are properly trained and executing according to the rules is vital.

That goes double for your managers. Franchisers say the No. 1 reason for a franchisee's failure is that they do not hire the right managers. Franchisees who lack management skills themselves might want to choose a business that could be run by just one or two people. Or, consider hiring someone skilled at motivating others.

Do not forget: You have to follow the rules, too. Franchises are not designed for the independent-minded. They depend on a by-the-book execution of a business plan, adherence to time-tested systems, and a willingness to follow directions.

Unrealistic optimism can also be a recipe for financial distress. Borrowing to expand just before a downturn, for example, can lead to rapid bankruptcy. Franchisees need a financial cushion to weather unexpected situations. Experts advise new franchisees to have a nest egg for emergencies and assume they will lose money the first two years.

Franchisees who leave the management of their units to managers and who may or may not be on the premises every day are also less likely to succeed than owners who take a hands-on approach. They may not know if the help is showing up, what customers are complaining about, or whether employees are dipping into the till. Theft can be contagious and contaminate an entire organization if not stopped immediately [4].

In conclusion it should be said that the problem of the successful management of a franchise becomes more and more significant nowadays because it is a good way to invest your money or start business.

Наук. керівн. Єніна Г. В.

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