

Growing Your Business with Other People's Money

By Josh Bowles

The Franchise Edge

If you are like most restaurant owners, your dream was not simply to own and operate one location. Your goal was to grow your restaurant and expand its reach into other markets. And like many other restaurant owners, you may have seen your dream go unrealized because you felt you lacked the resources necessary to handle this expansion.

When considering expansion, business owners often fall into the trap of thinking growth through company owned units is the only option available to them. This type of growth requires considerable effort, time and money - things that are hard to come by for small business owners. As a result, many feel that these obstacles are too difficult to overcome and give up on their goal for expansion.

But what if these owners knew that there is an option that would allow them to open a second restaurant, and a third, and fourth and so on, for far less than it would cost to open one company owned unit? Now would they pursue those expansion dreams? Well that option does exist and it's called franchising. Franchising overcomes the traditional obstacles of growth. A franchise system is built on the resources of others, namely your franchise owners, who are qualified people sharing the commitment necessary to successfully grow your restaurant with you. As a restaurant owner turned franchisor, you benefit from the money, time and people provided by your franchise owners.

- **Money.** The cost is shifted to the franchisees, as they bear the financial obligation of opening the restaurant, purchasing inventory, providing personal guarantees on leases, managing employees and providing the working capital. In most cases, the cost for a complete franchise start up program and first year marketing expenses necessary to generate franchise leads is less than the cost of opening one additional company owned location. The best part of franchising is that it provides you with a perpetual, residual revenue stream in the form of royalties, rebates and supplies that will continue you to reward you well into the future.
- **Time.** Competition is quick to move on to market opportunities. Franchising provides a vehicle for growing your restaurant quickly, whether your intent to grow locally, regionally, nationally or internationally. Because franchisees, not you, are investing the time and energy to open the new restaurants you are able to penetrate multiple markets all at the same time.
- **People.** As an owner, you understand that good employees are hard to find. You also know that dealing with personnel and human resource issues consumes time that could otherwise be spent expanding your restaurant. So why not build your restaurant around other owners – people that care about the restaurant as much as you do? Remember while this is your concept and your business model, the individual franchised businesses belong to the franchisees. They own it. They work it. They are financially and emotionally invested in it.

At this stage of your business you have already developed a proven system. You have faced the challenges of starting a restaurant and created refined strategies and procedures to ensure success. Through exhaustive work and hours of your time you now know how to market, hire, train and produce your menu items better than anyone else. This hard work and experience is a valuable commodity, so why not use it to your advantage? By developing a franchise program, you allow others to benefit from the lessons you have learned, enabling them to open their restaurant faster and less expensively. Being a part of your system allows these franchisees to integrate your methods for generating sales and operating the restaurant thus increasing their likelihood of success. And with their success comes significant benefits for you, including continuing revenue streams in the forms of royalties and rebates, the strengthening of your brand, and increased consumer awareness.

In the United States, franchising has continued to demonstrate an ability to flourish regardless of economic factors. The outlook for franchising in the coming years and beyond is ripe for continued growth. As the population grows, so does their need for a wide variety of products and services, almost all of which fit into the franchise arena. Currently there are over 200 types of businesses that are franchising and the US Department of Commerce predicts that by 2010 one out of every business will operate under some form of franchise system. Most exciting – 42% of the top 200 franchises are restaurants!

Franchising may not be the right fit for every business. Before moving forward with a client, The Franchise Edge performs an in-depth evaluation of the business to determine whether franchising is the right fit for expansion. Some of the indicators we look for are a track record of profitable operations, broad consumer appeal, and an operation that is replicable and can be easily taught to others.

If you feel your restaurant fits the mold, now is the time for you to consider franchising. There are many qualified people currently in the marketplace looking for business opportunities. They have the skills, experience, and resources necessary to open and operate a business. They are just in need of a strong business template like yours to get them started.



The Franchise Edge is a franchise development agency and a SYSCO iCare Partner. If you would like to learn more about the benefits of franchising for yourself or your clients, please visit our website at www.thefranchiseedge.com or call us at 813.935.5087.