

# Why Buy a Franchise?

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In a sense, franchising is a business opportunity with the primary purpose of risk minimization. Every study ever done on the success rate of new (non-franchise) business startups concludes the same thing. Starting up a new business is very risky. Most studies show that more than 90 percent fail within three years. The primary reason that the failure rate is so high is the learning curve of operating that specific type business. Unfortunately, the market place is not very tolerant of the inexperienced beginner trying to learn how to operate a new business. If you can't compete in the marketplace, you can lose your money, your credit, your home, your reputation and sometimes even your family. Failing in business can be a horrible experience. Unfortunately this happens to thousands of people every year in the United States, and it can be avoided. Unless you have considerable experience in the specific type of business that you are considering going into, it is very probable that you will fail.

Business format franchising is as close as you are going to come in today's marketplace to a guarantee of success. All of the studies done have found that franchise new business startups rarely fail and, when they do, it is typically because the franchisee did not stick to the franchisors systems. There is a learning process involved in all human endeavors.

This learning process requires trial and error wherein knowledge is gained by trying and failing again and again until you eventually succeed. This process is generally called the learning curve. In the context of franchising, the franchisor has already gone through the learning curve and has learned the secrets of success for the specific business. In business format franchising, all that has been learned by going through the learning curve is transferred to the franchisee. This is fundamentally why you buy a franchise – to minimize risk and give yourself the best possible chance to succeed.

## **Avoid detours. Take a better route.**

It is prudent to buy a franchise because the investment can be thoroughly researched before any significant expenditures are made. With a new business startup (non-franchise) you are always operating in the dark. No matter how much research you do, it is very difficult to get a handle on so many aspects of the new business. With a franchise, the franchisor can provide a wealth of information about the business opportunity – from how to prepare a pro forma to the best personality traits for the business. But the most important information comes from the existing franchisees. With a good systematic approach, you can get answers to nearly all the key questions such as:

- Do you feel that you were properly trained?
- How long did it take before you broke even?
- How do you feel about the day-to-day duties of the business?
- If you had it to do over, would you do it again?

You can, in a very real sense, try on the business before you buy to make sure it is a good fit for you.

A recent Gallup Poll of franchisees found that more than 94 percent considered themselves successful and that more than 75 percent would buy their franchise again if they had it to do over. The same poll also found that the average pre-tax gross income was \$124,290.

In summary, the primary reason you should buy a franchise as opposed to starting up a non-franchise new business, is to **minimize risk** and **enhance your chances of success**.