WRITER

marjo johne

t. 905.821.9430
f. 905.821.6925
e. marjo@marjojohne.com
u. www.marjojohne.com

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Disenfranchised: 5 Common Mistakes of Prospective Franchisees

Franchises are based on the concept that what has proven to be successful for one should also be successful for others.

If you're thinking of investing in a franchise, you're probably hoping to benefit from the right decisions made by those who started the business. But before you sign that licensing agreement, take a few minutes to learn from the **wrong assumptions and decisions** made by other franchisees:

1. **Failure to understand the role of a franchisee**
   Some prospective franchisees neglect to take the time to understand what is expected of them as franchise owners. Will they need to mind the store from dawn to midnight? Do they need to train employees? "You have to **find the franchise that fits your mindset**," says Chris Whynacht, national business development manager of the Brennan Group, a Halifax consulting firm that helps franchisees manage and grow their business. "Otherwise you could end up just buying a job you don't want to be in."

2. **Unrealistic budgeting**
   Either because they were overly optimistic or they just didn't do their homework, some franchisees fail to build realistic revenue and cash flow forecasts into their budget. Depending on a variety of factors, the cash register in your franchise could be ringing non-stop from the get-go, or it might take a few months for you to build your clientele. But by **understanding the business model** of your franchise - and developing your budget accordingly - you'll avoid a cash crisis during your startup or slow periods.

3. **Lack of team-building strategy**
   Before you post that Help Wanted ad, sit down and create a team-building plan that takes into account fluctuations in activity and income as your company goes from startup to firmly established business. Without such a plan, employees who derive their income from commissions or tips may decide to go elsewhere once they realize it may take a while before your business starts enjoying healthy sales. Others may find it difficult to cope in an environment where even the owner is still learning the ropes. To keep good employees from leaving, **offer incentives** such as benefits or perks. And let potential employees know your business is going through a growth phase. This way, they'll know what to expect and will likely be more willing to help you get your business off the ground.

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4. **System? What system?**
   Sometimes, franchisees will forget or decide to ignore the system set out by the franchiser. Not only could this amount to a breach of contract, it could also hurt the sales of your business. "Customers go to a franchise because they know what to expect," says Whynacht. "So **don't reinvent the wheel**." If changes truly are necessary, work with your franchiser to find a solution that will fix your problem while maintaining the operation's standards.

5. **The get-rich-quick mentality**
   Kim Divell, director of member services for the Canadian Franchise Association, says some people equate a franchise with instant wealth. The reality in most cases is that franchisees need to work long and hard hours. And it may take several months, even years, before they see a significant return on their investment. "It's not just buy in, sit back and watch the money roll in," says Divell. "It's **a partnership with the franchiser**, and you must be willing to put in the effort and work as part of the team."

And of course, it helps to learn from other franchisees' mistakes. Knowing what pitfalls to avoid will allow you to focus your efforts on growing your new franchise and build on the success of a proven system.