The 8 Biggest Franchising Mistakes to Steer Clear Of

mHelpDesk

Learn more at mhelpdesk.com/franchises/

Franchising is big business. According to recent research, it is estimated that there were over 745,000 franchises in operation in the United States in 2017. And that number is growing every day.

What is the big attraction of franchise companies, and how can you ensure that you go into a business like this with your eyes open? In this article, you'll learn the most common mistakes made by new franchisees and what you can do to avoid them.

1. Believing That Running a Franchise is Like Running a Business

One of the most common mistakes that franchisees make when starting out is assuming that the processes involved will be much the same as if they had started their own businesses from scratch. There is much more to it than that.

While you are most certainly investing in a business that you will be responsible for running, there are other considerations, such as training, marketing, business processes and financial, and legal matters, to take into account.

Look for a franchise that has a steady growth pattern strategy.

2. Bigger Isn't Always Better

Many franchisees are led to believe by franchisors that the more franchises there are in a chain, the more successful their own venture will be. This is a mistake on both the franchisee's and franchisor's part.

When a franchise opens too many units too soon, it can result in oversaturation of the market and franchisees stealing business from each other. Look for a franchise that has a steady growth pattern strategy in place that will support you throughout the process and beyond. Also, make sure that the company doesn't use aggressive or misleading marketing tactics to persuade you to buy.

3. Not Focusing on Local Marketing

Most franchises are considered local businesses, operating from local physical premises or covering a local area. While most franchises will focus on streamlining marketing costs, it is important to target the local area effectively with the right marketing strategy.

For example, your website should focus on delivering a service to local customers and be optimized for local keywords.

You should also ensure your business is listed in as many business directories as possible, including Google My Business and Yell. A small business website and a couple of social media channels populated with good content, discounts, special offers and company news can work wonders for both search engine results and your reputation.

4. Buying into a Flawed Franchise System

Research is one of the most important tasks you can carry out when considering a franchise. Many franchisors fail to review their franchise systems regularly. This failure can result in flaws that they either do not know about or purposely fail to disclose to prospective franchisees.

Many franchisors fail to review their franchise systems regularly. This failure can result in flaws that they either do not know about or purposely fail to disclose to prospective franchisees.

There can be nothing worse than buying into a franchise and then finding barriers or major issues that you have to solve before you can start trading. 7-Eleven is an example of a flawed franchise system, but there are many other major franchises that fail to make profits.

5. Failing to Read the Disclosure Agreement Fully

Disclosure agreements are long - sometimes as long as 100 pages. While they can be tedious to read and digest, not doing so could land you in hot water later down the line.

Some of the most common problems between franchisor and franchisee are misunderstandings about compliance, responsibilities and support. For example, the disclosure document will usually lay out rules regarding your obligations

Contacting as many existing franchisees as possible will give you insight into how they run their businesses, their success rates and any problems you need to be aware.

as a franchisee of the brand, marketing guidelines and other specifics relating to the business. If there is anything in the disclosure document that you do not understand or anything missing that you believe should be included, raise your concern early in the discussions before you sign on the dotted line.

Ideally, seek out a franchising attorney to read over all documentation.

6. Not Contacting Existing Franchisees

Unless you are the first franchisee, there will usually be a section included in the disclosure document called "Past, Current and Future Franchisees," or something similar. This is a valuable starting point for anybody considering buying a franchise.

Contacting as many existing franchisees as possible will give you insight into how they run their businesses, their success rates and any problems you need to be aware of before opening your own location.

Understanding your market, whether the business is sustainable in the current climate and who your competitors are will help you to go into a business with your eyes wide open.

Visiting a franchise can also show you what will be expected of you in terms of marketing and store layout.

You should also get in touch with any failed franchisees to find out why their business failed. If there are no common links between stories, there should be no cause for concern. But if a pattern starts to emerge, it may be wise to steer clear.

7. Not Analyzing the Market in Advance

One of the main reasons businesses fail is that their market share decreases. Understanding your market, whether the business is sustainable in the current climate and who your competitors are will help you to go into a business with your eyes wide open.

Also, take some time to evaluate the franchisor's marketing strategy. They may have carried out their own marketing analysis, but you may also want to perform your own and develop your an independent marketing plan.

8. Being Afraid to Invest in Technology

While it is up to the franchisor to address the needs and challenges of franchisees, it is the franchisee's responsibility to address the needs of the end customer. If the customer isn't happy this will have a negative impact on both the individual company and the overall brand.

Choosing innovative and agile tools such as field service and business automation software can help to streamline operations and maintain brand consistency from day one, which in turn helps to meet customer expectations and increase revenue. The problem is that many franchisees fail to invest in the right software at the start because they are afraid to spend the capital they have available.

Final Thoughts

These are some common issues that may come up when you considering opening a franchise. However, don't let uses problems put you off. Owning a franchise is a fantastic opportunity. In many respects, it's easier than starting a new company since the business model, branding, marketing plan and legal work have been done for you. With a little homework and understanding, these are problems that you can overcome or avoid. ■