Dispelling franchising myths

By Jan de Beer

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Franchising can increase a business' success rate by 80% or more, as it is cemented on the learnings and triumphs of other business pioneers, making it an ideal option for the entrepreneur looking for a smart investment. However, there are popular myths that need to be dispelled about franchising so that franchisees can succeed in this growing field.

Myth 1

Once I have signed the contract I can simply hand over the reins to the store manager.

This is a common misconception in any business - but, even though you have the best managerial team, your business will never achieve optimal success if you are not hands-on. In franchising, it is imperative to keep a close eye on the pulse of the business to ensure that it is kept on the right track at all times. Issues such as a lack of stock control, poor stock purchasing and a non-adherence to recipes are but some of the things that can have a devastating effect on the business' bottom line, especially in fast food establishments.

Aside from managing issues more effectively, by being hands-on, a business owner will ensure better relationships in store - not only with staff but also with customers. A loyal relationship with a customer can only be cemented if the owner is the focal point of the business, as the owner's presence will enhance familiarity and in turn, trust. When faced with this myth it is important to ask, "Does your manager really grasp the weight of your investment and is he or she fully committed to doing everything to ensure your company's success?"

Myth 2

The franchisor will dictate how my business should be run.

Yes, the concept of franchising involves the franchisor (or franchise owner) lending his trademark or trade name and a business system to the franchisee at a fee, with the franchisee paying a royalty fee for the right to do business under the franchisor's name and system. That is the crux of franchising. This, however, does not mean that the franchisee will have no say or leeway in the business to make his or her decisions. Yes, the franchisor has the final say over standard operating procedures in the franchise and elements that affect their best practice.

Yet even with the guidelines for managing the business in place, the franchisor does not dictate to the franchisee how a store should be run, which staff to appoint, when to do stocktake, how to manage income or how to deal with complaints. These are all issues that the franchisee needs to deal with and manage. Success in any business cannot be achieved without the business owner taking responsibility for his or her own actions.

Myth 3

Customers love the brand and will therefore always support my business.

A constant customer base is never a guarantee - not in any business. It is a benefit that the franchisee has bought into a well-known brand, however the brand's reputation is not enough to ensure a constant flow of customers. Managing the store effectively is the responsibility of the franchisee. If the products and services delivered are of a poor quality, customers will not support the store.

Franchisees also need to understand that there will be slower periods in the month and year, which they need to be prepared for. This is done best by putting money aside in the peak times when business is booming for the times when customer turnover is low. For instance in the fast food industry, stores along the coastal regions receive higher customer volumes in the festive season, whereas those in the CBDs are not quite as popular during the same timeframe. This is a trend that must be prepared for by the owner.

It is no myth that franchising has its challenges. Even with tried and tested plans in place, there are no guarantees of success. Yet when a franchisee is informed of the facts and know which myths to disregard, the chances of steering the business effectively are much more prevalent.

ABOUT THE AUTHOR

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