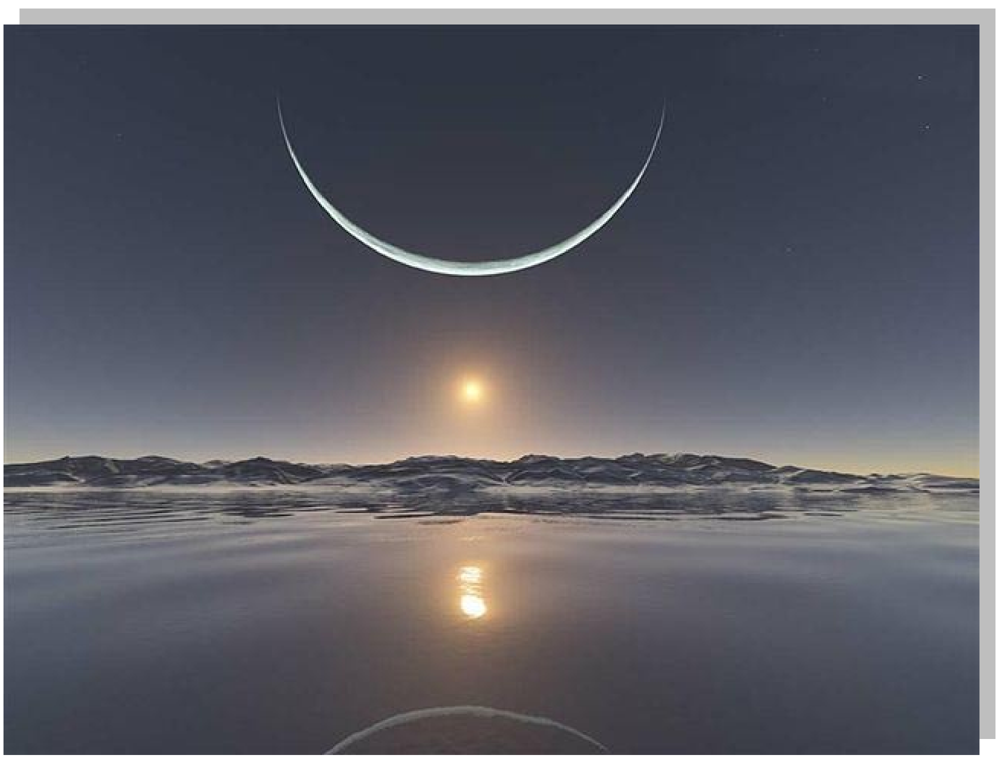
Finding Comfort in Paradox: A Comparison of Franchising to the Corporate Business World

The sun or the moon? Which world is right for you?



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At *The YOU Network*, we speak with thousands of people throughout the year. And 5 out of 10 of them initially come to us thinking that owning and operating a franchise is the equivalent of their running a “branch office” of a larger national company.

It’s not that this assumption is so wrong. It’s just that it’s *incomplete*. Without further understanding, a person could make some severe mistakes in judgment.

So what’s “incomplete” about it?

For starters, while the “branch office” analogy isn’t THAT terribly off-base, you need to at least be aware that being a “branch office” does not imply “guaranteed success.” In addition, every franchise company is not “large” or “national.” Many successful franchises have 100 locations or less and have only yet experienced that success on a regional basis – and they may not have recognition in the market you are considering. In assuming that the franchise company is “larger” – many potential purchasers also assume that brand recognition is so great that all they have to do is open their doors for business – and people will come running in. Instead, EVERY franchise requires its owner to invest time in sales or marketing tactics, developed by the franchise company, in order to “ramp-up” and develop a customer base for their particular location. This would be true *for any brand* – well-known or not. In other words, even McDonald’s ™ has to build a customer following for a new location – *there are no guarantees.* In fact, it has been proven many times in franchising that two locations, with identical demographics, can achieve entirely different results – because of the human factor – THE OWNER --involved. The owner has to make the location work. All the franchise can do is provide the owner with the tools to encourage it happening.

All right. So you can’t assume that your franchise is just “another branch.” YOU, the owner, are important to ultimate success.

OK. Then what exactly IS franchising?

Let’s start with an excerpt from *Franchising 2030*, a new book from *The YOU Network*:

> *The "ideal" of the franchising business model has always been pretty simple. If, as a business owner, you have a really good business in operation, you can attempt to raise capital yourself to expand your business (never an easy task) -- OR, you can franchise your business (become a franchisor) and use other people's money (franchise buyers, or franchisees) to help you gain distribution. In return for using "other people's money," franchisors provide their franchisees extensive training, use of their trademark and products and services, and a host of other varying and ongoing support services -- for a designated period of time averaging 10 years -- that are all designed to provide these franchisees the best possible chance of succeeding. In addition to "starter fees," most franchisors also charge ongoing royalty payments -- usually in the form of a percentage of sales -- so as to allow entry costs to be kept at practical minimums and to help the franchisors continue to build and maintain an optimally competitive "system."*

Sounds simple enough. And those differences from the corporate world would be?...

	Corporate World	Franchising
How you learn about a company's performance	Company growth largely tied to sales of product(s) or service (s) – you can read the annual report and make assessment of financial performance (public company only.)	Growth of company ultimately tied to sales of *franchises* – not just to product or service sales. If royalty (support) payments are down, this would reflect weaker performance among some owners – but this is not the ultimate barometer of success. Franchise Disclosure Documents (FDD), and potential buyer's interviews with owners provide financial performance information
The culture, the way-of-working	LOTS of politics; many "people" pressures; make change happen as matter of course in order to compete	Minimal politics; collaborative environment between owners and franchise company; "follow the system rules" first – then make recommendations for change
How you grow the business	Most frequently: top-down, directed from corporate, using national and local media and sales	Bottom-up, directed from owners, using local media and local sales, with plan and support from company headquarters. Some companies may have national or regional advertising once distribution is sufficient to allow it
How you make changes to the company	An employee makes recommendations, obtains buy-in and support, and implements	An individual owner (franchisee) makes recommendations to company headquarters – if accepted, *franchisor* will announce implementation THROUGH network of owners
Compensation Criteria	May or may not be geared to performance	Directly related to performance; earnings claims, if provided, are as stated in FDD, but no guarantees are made
Tax Deductions	Employee tax deductions go through individual or joint filings	Many deductions available through business structure – be it LLC, C Corp or Sub-Chapter S Corp. Owners draw income from business which is then separately taxable
Hours of Working	Fairly inflexible; minimum 8 hours – sometimes more required plus travel	Flexible, depending upon franchise requirements and personal choices made; little travel required

Look closely at this chart and you will see that certain experiences in franchising are nearly THE EXACT OPPOSITE of same experiences in the corporate world. This is why we say that understanding and adapting to franchising can be like "finding comfort in paradox." It may seem almost "backwards" to you at first, but once you have adjusted your perceptions, it may, in fact, be what you have been looking for all along.

So…are you a "sun" or a "moon?"

Franchising isn't for everyone. Probably the most telling characteristic is your ability to follow directions. If you have a VERY strong sense of yourself, and "don't follow rules" very well, *then franchising just may not be for you.*   Franchising REQUIRES people who can "follow the system"--particularly when you first enter the system as an owner.   After all, you paid for their advice, so you might as well take it.

You also need to understand that franchise companies have invested a LOT of money and time in their "ways of doing things" – and they don't take too kindly to a strong force that comes into their world and, right or wrong, immediately starts to tell them "they need to do things differently." ***Once you have your business established***, (and you followed their system in doing so) it's quite possible to influence the franchise company with your ideas and thoughts – and they are likely to listen a whole lot better to you by then as well -- as well as *welcome* your inputs.

You might even consider this: A leader in franchising was once quoted as saying, *"When you buy a franchise, you are buying 20 years of mistakes. So why make them all over again? Chances are, that "great new idea" you have has already been tried, and failed. So don't try to reinvent the wheel – you're defeating the purpose of what you bought!"*

Many, many people succeed in franchising around the world every day, every year. The best way to find out if YOU might be one of them is to contact *The YOU Network* and speak to a consultant today.