

Op/ed: Franchisee or independent, the choice is yours

By Barry Kurtz on May 11, 2012

If you're like many ambitious middle-managers and c-level employees who find themselves "in transition" as the recession drags on, you may face a stark choice — whether to downsize your lifestyle and your ego by working an unfulfilling job or, in the alternative, start your own business.

If you do venture out on your own and succeed, you may come to see your choice as the best move you ever made. If your business fails, you may see it as the worst. Either way, the decision to launch a business is risky, and you will give yourself a legup if you assess and manage the risks with care.

How do business owners manage risks? Many entrepreneurs join a franchise system instead of creating a new and independent business. There are many advantages to doing so, including a proven business model and a recognized trademarked product or service. Franchisees are also provided with training in the essentials of running a business.

You need to know the basics of franchising if you are to succeed. A franchise is a business relationship between the owner of a trademark, the franchisor and the franchisee, who is the owner of a venture utilizing the trademark.

There are certain rules the franchisee must abide by:

- The franchisee must offer, sell or distribute goods or services under a marketing plan or system controlled in substantial part by the franchisor, and
- The business must be substantially associated with the franchisor in the eyes of the public and the franchisee must directly or indirectly pay a fee to the franchisor for the right to engage in the business.

In return, the franchisee receives the following advantages:

- A proven business system, a customer base, a known brand name and market presence.
- Group purchasing, professional marketing, research and development, and continuing education and training.
- Support from the franchisor and other franchisees with similar goals, needs and pressures.

But franchising isn't always a bed of roses. For one thing, you won't be running an independent business. Franchisors want followers, not innovators, and they limit how much you can deviate from their operating procedures.

And buying a brand-name franchise is often more costly than launching an independent business. Generally, franchisees must pay upfront fees plus ongoing royalties and sometimes fees for training and advertising. For that matter, not all franchisors offer much in the way of training, guidance and services.

If you do decide to go the franchise route, you must decide what sort of franchise is best for you.

To make that decision is to take a journey inward, because the path you take depends in great measure on who you are and what you want to accomplish.

Here are five things to think about as you take that journey:

- **You will enhance your chances of success by selling products or services you understand.** Don't jump into something completely new and different.
- **Consider your strengths and weaknesses.** If you're happiest when following orders, resist the idea that you can become a leader overnight just by buying a franchise. On the other hand, if you insist on going your own way at every turn, how long will it take before you chafe at the follow-these-steps-if-you-want-to-succeed nature of the franchising industry?
- **Follow your passion, and proceed carefully.** You need to be committed enough to your enterprise to make success your only option, but the enterprise itself must have the potential to succeed. You may love your collection of antique whale-oil lamps, but going into the whaling business won't get you far.
- **It's your money.** Invest enough of it to keep you keenly aware of what's at stake, but don't throw everything you have at the venture. Be realistic about the costs of becoming a franchisee and buy a franchise that matches your resources.
- **Keep your antennas up while you do due diligence.** Learn everything you can about your franchisor's record, and talk to every other franchisee you can track down.

Above all, at every step of the way, ask yourself whether the people you meet — your franchisor, the people in the home office who will be your primary contacts and other franchisees — conduct themselves as you would. This goes beyond mere compatibility; if you are to succeed as a franchisee, you must buy into the franchisor's vision and the character of the people you will work with must match up with your own.

• *Barry Kurtz is a certified specialist in franchise and distribution law and the sole shareholder of Kurtz Law Group, which has offices in Santa Barbara and Woodland Hills. Contact him at bkurtz@kurtzfranchiselaw.com.*