

Should You Franchise Your Business?

Traditional franchises are businesses where a qualified business person (a franchisee) is granted the right to distribute products or services using the trademarks, advertising and process developed and owned by another (the franchisor). The franchisor typically exercises significant control over franchisees, as it provides valuable business assistance to franchisees. Franchising is the fastest way to grow a business without huge capital investment or financial liability for leases and personnel.

Together, franchisors and franchisees may rapidly expand into new markets that a non-franchised business-owner would not likely be able to enter without significant capital and time. Franchise businesses also tend to be more successful than other new businesses because of the proven business procedures developed and tested by the franchisor. These proven business procedures eliminate many costly errors that cause non-franchised businesses to fail.

If you can answer the following questions affirmatively, you should consider franchising your business.

- Can your business concept be taught to others and packaged in a manner that offers a business advantage to others (for example, well-known trademark, popular or unique trade dress, successful business process or trade secrets)?
- Is there sufficient profit margin to allow payment of a royalty to the franchisor, while still providing franchisees with a reasonable income stream?
- Is there sufficient demand for your product or service to support a franchise system?
- Does your business own and use a strong trademark?

If you have questions or to obtain additional information about franchising, please contact Phillip Guttilla (pguttilla@rcalaw.com) or Renee Mitchell (rmitchell@rcalaw.com) at Ryley Carlock & Applewhite, (602) 258-7701 for more information.