

5 reasons why your next investment should be a franchise

By  Alan Hockey

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I am not about to make the evening news by letting you know that franchises are more likely to succeed than independent businesses, and that around 50% of small businesses fail in the first 24 months of operation.



Image credit: Getty

Independent businesses fail for a number of reasons, including owners not having enough industry experience, poor staff recruitment, poor planning, a lack of financial expertise, inadequate systems and processes as well as business owners taking a backseat and relying on a manager to run the show. Always, just know that, without your personal involvement and commitment, your business will not be in a position to reach its full potential.

Considering the above, buying a franchise remains a solid investment opportunity and a well-established franchisor's experience and insights will guide and assist the franchisee in achieving their objectives.



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I have listed five reasons why investing in the right franchise could be your best decision yet.

1. A franchise isn't pie in the sky

Probably the most challenging part of opening a new business is coming up with a business idea that will work and creating a business model that will be successful. A franchise is already a going concern and the market research has already been completed for you, so you can just explore it, and understand the retail landscape. Most franchisors assist with choosing a location or may already have a list of locations, for you, to choose from.

On a day-to-day basis, the management and work practices have already been proven and it will save you time and lots of money, as you won't need to fumble along trying to devise systems.

There's an invaluable opportunity to visit current businesses operating within the franchise, to gauge if it is something that you will love day-in-and-day-out. With all businesses, your level of commitment and passion is vital to the success of the business. Businesses don't tend to work on the philosophy "if you build it, they will come" and businesses require a lot of you, as the owner, to make it a wild success.

You are essentially buying into a developed way of doing business and there is a team of people, whose job it is to look at the big picture, so you can comfortably focus on day-to-day operations. The franchisor is there to offer you on-going support, the aim of which is to be a mentor to the business owner, assisting with difficult situations and in providing the stable platform to allow businesses to soar beyond expectations.



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2. Revel in independent small business ownership with the benefits of a big business network

Here you should be thinking about incomparable supplier discounts and preferential rates. You are benefitting from your franchisor's established and secure relationships with suppliers and together, all the franchises, have strength from collective buying power. You aren't starting from scratch and the brand has an established reputation and image, building rapport with customers is a lighter task and recruitment of great employees is easier too.

Access to national advertising – priceless, really! The franchisor has a marketing strategy and can detail the level of support that each store receives for marketing locally.

William James described it best when he said "In business for yourself, not by yourself".

3. The financially lighter load

There is fear in the unknown and securing finance to start a business is generally more forthcoming for a franchise than a start-up business as the success of the brand can be seen and there is more security with buying into a proven business model.

Franchise setup costs differ considerably, but they might be less than to start a similar business of your own from the ground up, especially as there are less likely to be 'school fees' to pay. With the wealth of information and support available to you and there is less risk of 'trial and error' lessons, on your part.

Having the opportunity to be informed on the investment cost, the financial model, including payback period, breakeven

sales and staffing requirements to make the model work optimally, saves you a multitude of nasty surprises.



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4. You are more likely to succeed. Go ahead and breathe in the calm of reduced risk

Franchises have a 90% success rate compared to a 10% success rate of an independent business according to a recent Franchise Association of South Africa (FASA) report.

5. Come as you are. No experience required

While you might not need experience in the industry, the franchisor will give you all the training, privy of knowledge, experience and industry secrets, needed to operate a business within their model - business savvy is a requirement.

The picture painted is one of franchise success and it might very well be a utopian dream for some. Franchising is not for everyone though and opening a franchise is no guarantee of triumph, so do your homework and remember that you will still need those good management skills of well-informed decision-making, hard work, time management, access to money and phenomenal customer service, to make it in a competitive business world.

All the best, I am rooting for you!

ABOUT ALAN HOCKEY

Alan Hockey is the Operations Director at Corner Bakery. With more than 10 years operational experience in senior management positions in the Momentum Group of companies, he left the corporate world to become an Executive Trainer and Business Consultant with a multi-national business process improvement consultancy. Alan leveraged his operational experience and business improvement consultancy skills into developing and refining the bakery operational processes and optimising the IT systems.

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