

## **WHY IS THE SUCCESS OF FRANCHISING SO AMAZING?**

**By Ken Hollowell**

Anyone that seriously looks at the growth rate of franchising as a method of marketing will agree that the growth has been phenomenal to say the least. Going back over 150 years ago when Singer Manufacturing began offering distribution licenses to individual in the promotion, sales, training and repairs of their sewing machines, who would have thought franchising would be what it is today? Over 8,000 businesses have expanded regionally, nationally or worldwide in the offer of their system of doing business.

Based on the present growth of franchising, by the year 2010, franchising will exceed \$2 trillion. After the Federal Trade Commission in 1979 enacted Rule 436 which requires a franchisor to provide full disclosure to a potential buyer of a franchise, the FTC wanted to monitor the growth of franchising. Extensive studies were done and one amazing fact that was unexpected was revealed. The failure rate was only 3.7% in franchise businesses. The question was asked why so low?

The answer is very simple. Franchisors spend a great deal of time improving their system of doing business and documenting every aspect of the business so that franchisees benefit. Franchisors build their "Marks" so that the general public becomes knowledgeable concerning the products and services of the business. Most importantly, the Franchisor screens and qualifies every individual who makes an inquiry into the franchise business. A Franchisor has a profile of who they want as a franchisee. Not everyone can qualify or fit the profile. These individuals are not awarded the franchise.

Once a franchisee is selected an intense training program is provided that offers both classroom and hands on training. Every aspect of the business is presented in detail from pre-opening assignments, inventory control, accounting, advertising, marketing, hiring, daily procedures, purchasing equipment and supplies and much more.

To enforce the training, the Franchisor loans a copy of the operations manual to the franchisee. This manual contains everything relating to the business from ad layouts to forms, specifications for equipment, and step by step procedures in the operations of the daily business. The Franchisor's operation manual can be several hundred pages to well over five hundred pages. Some Franchisors provide pre-opening manuals, marketing manuals, and employee manuals.

In addition, to the training program and operations manual a franchisor will even be present for 2 to 5 days when the franchisees business is ready to open its doors for business. This support gives the franchisee a comfort zone for his business.

After the business has operating for several months, the Franchisor will visit the franchise operation to ensure that procedures are being followed and the business is maintaining the image that the Franchisor wants projected.