

The franchise model

What you need to know to become a strong franchisor

INTERVIEWED BY MARK SCOTT

Franchising is a proven way to expand your business, but it takes discipline and due diligence to ensure you have a concept that can be replicated and be profitable in multiple locations, says Daniel L. Silfani, a Partner at Brouse McDowell.

“People of varying backgrounds should be able to step right in and easily run their franchise unit utilizing the systems that you have developed,” Silfani says. “It’s up to you — as the franchisor — to develop the plan and provide the tools that allow your franchisees to do so effectively.”

In addition to developing a go-to-market strategy to become a successful franchisor, you need to fulfill all the legal obligations that are required to sell franchise units in your desired markets, as well as protect your intellectual property (IP).

Fortunately, there are a number of expert consultants in the franchising industry who have experience doing just that.

“There are a lot of successful franchise systems out there and there is a proven strategy to do it,” Silfani says. “But you have to follow the steps to give yourself the opportunity to succeed.”

Smart Business spoke with Silfani about the key steps to becoming a successful franchisor.

How do you know if your concept has franchising potential?

You need to determine whether your concept can be profitable in more than just one location. Just because you have a business that is doing really well at one site, that doesn’t guarantee success in another spot. You need to know if your concept can work in other geographic and demographic locations to get a true sense as to whether it has franchising potential.

You also need a concept that can be easily

replicated. If you can’t put together an operations manual and a business model for a new franchisee to step in and get a new unit up and running in a reasonable amount of time, it’s going to be difficult to grow your business through franchising. If you have opened additional units in different markets and they’ve met or exceeded your expectations, that’s a good early indicator that your concept has franchising potential.

Once you determine potential, what are the key first steps to building a franchise model?

You must take steps to protect your IP, which includes your trademarks and service marks, with the U.S. Patent and Trademark Office. Any franchise system relies on the value of a recognizable logo or brand that entices customers to do business with you. Your franchise identity is part and parcel to your trade or service marks.

If you fail to register in a timely fashion, you may find that you’re not able to protect your franchise brand because it’s being used (in an identical or substantially similar form) by someone else who was the first to file for the protection. In this case, you would need to develop a new brand.

In addition to IP protection, there are legal compliance documents that you need to complete in order to market and sell franchise units within the U.S. At a minimum, you need to prepare a



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Franchise Disclosure Document that is in compliance with the Federal Trade Commission’s Franchise Rule. Depending on which states you want to expand into, you may also need to register and file a separate form to market and sell franchise units within those particular states.

What value do franchise consultants provide?

Setting up a franchise system is not cheap and some would-be franchisors try to go it alone to save money, but that’s often a mistake. As a franchisor, you need to learn what it takes to evolve from the leader of a single business to a consultant yourself who can guide your franchisees and help them grow their units.

In addition to creating a comprehensive operating manual and training program, you need to develop a set of standards that ensure quality and uniformity in the customer experience and the products and services those customers buy. Research your competition to get a sense for what works and what doesn’t work in your industry. A franchising consultant, along with your legal counsel and your accounting team can help you build an infrastructure that is welcoming to potential franchisees and gives them confidence that they can grow a profitable business under your brand. ●