AMERICA'S SBDC
ACCREDITED MEMBER
MONTANA

SBDC START-UP SERIES: FRANCHISING

Many entrepreneurs may consider buying a franchise instead of building their own business from the ground up. Buying a well-known franchise might seem like an ideal business decision: it offers instant brand recognition, a trusted product and inclusion in nation-wide advertising campaigns. While owning a franchise has its perks, there is a lot more to it than sitting back and raking in the cash.

What is a Franchise?

A franchise is a legal and commercial relationship between the owner of a trademark, service mark, brand name, or advertising symbol (the franchisor) and an individual or organization (the franchisee) wishing to use that identification in a business.

You can think of franchising (at least the costs of it) as paying for the work that someone else has done in developing a successful business model, marketing strategy and superior operations efficiencies.

The popularity of the franchise business model has to do with its proven track record of success and ease of becoming a business owner; however, even though the success rate for franchise-owned businesses is significantly higher than for independent businesses, no individual franchise is guaranteed to succeed.

Finding the Right Franchise

The key to finding a franchise opportunity that is right for you is to do RESEARCH. You'll need to decide how much of an investment you are willing or able to make.

The average initial franchise investment is $250,000, excluding real estate, though there are many franchises available for smaller investments. The average royalty fee paid by franchisees to the franchisor ranges from 3 to 6 percent of monthly gross sales. The average length of a franchise contract is 10 years.

After examining the costs, you'll want to think long and hard about what type of business interests you and best fits your lifestyle. There are many franchising books and franchising websites that can help you identify specific opportunities, including:

http://www.franchising.com, http://www.AZfranchises.com, http://bestfranchise.com, http://www.foodfranchise.com, and http://www.frannet.com, just to name a few!

For more information about franchising, visit:
http://www.sba.gov/content/franchise-businesses

About the Montana SBDC

The Montana Small Business Development Center (SBDC) Network is a partnership between the Montana Department of Commerce, U.S. Small Business Administration, regional economic development organizations and institutions of higher education.

The Montana SBDC Network consists of ten centers throughout the state that provide free, confidential, one-on-one business counseling and low-cost training programs to small businesses and entrepreneurs.

The SBDCs are dedicated to helping small businesses throughout Montana achieve their goals of growth, expansion, innovation and success. Our Network combines the resources of federal, state and local organizations with that of the education system and private sector to meet the specialized and complex needs of the small business community.

Visit www.sbdc.mt.gov and contact the SBDC nearest you to learn more about what counseling services and training programs are available in your area.

MONTANA DEPARTMENT OF COMMERCE

SBA U.S. Small Business Administration

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