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## Starting a Business: Buying a Business - Evaluating a Franchise

Franchising is a concept that has revolutionised retailing. Purchasing a franchise can provide you with an easier and more cost-effective way to start a business and enter an industry. Other benefits can include access to developed products or services, the provision of an established business system, training and business advice, group advertising, and lower business risk.

However, it's important to recognise that buying a franchise isn't a magic formula that guarantees business success. You will need to have a well made Business Plan, a Budget and ensure that you stick to it. The success of the franchise will depend on many factors, including:

- The franchise concept and system
- The management expertise of the franchisor, and
- Your own enterprise, initiative and commitment.

On this page you will find information on the advantages and disadvantages of purchasing a franchise, what you need to be aware of, the potential expenses, and the financial solutions that can make all the difference. With a vast experience across many industries, myAccounts can help you get your franchise up and running faster.

If you are seriously considering a Franchise, request a meeting with one of our Directors to talk with you about the financial aspects of this decision. Investment in a franchise represents a significant commitment in financial resources and time. It is a decision that should never be taken lightly. It requires careful consideration and advice on a number of factors that will determine your success.

### 1. The business concept

You must be satisfied with the basic commercial viability of the business being franchised. Franchising is the replication of an established business concept. It is not a magic formula that will save a bad business concept, product or service. The concept must be attractive, there must be a strong demand for it, and it must be unique or have a distinct corporate image.

### 2. The franchise system

The franchise system is the total "package" provided by the franchisor - the extent of the rights granted, the services provided, the business conditions, and the detailed rules, specifications, procedures, standards and policy documented in the franchise agreement and the operations manual. Its practical viability should be established through an existing network.

### 3. The franchisor

The ongoing commitment, support and assistance of the franchisor will be a key factor in the success of the franchised business. You must carefully consider whether the particular franchisor is one with whom such a significant long-term relationship should be forged. Their track record and experience, commitment and future plans are among the factors that you must carefully assess.

### 4. The financial equation

As a franchisee, you will need to pay initial and, in most cases, continuing fees for the rights granted by the franchise agreement. Detailed financial and business planning, and specialist advice, is necessary to ensure that the business can support these expenses in addition to the usual initial and ongoing costs of establishing and operating a business.

### 5. Your own suitability

You need to consider whether you've got what it takes to manage a franchise. In addition to the usual challenges of running a business - motivation, family support, hard work, people skills, and so on - franchising imposes particular challenges.

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### Key factors in success and failure

Strong, viable and profitable franchise systems incorporate a number of essential features:

- A sound product or service with ongoing potential
- A sound and successful business format that can be taught and replicated
- A unique selling proposition
- A distinctive image
- Proper auditing and enforcing of the system image, standards, procedures and controls
- Strong, competent and ethical management.
- An established and recognised brand name or trademark
- An appropriate franchisee selection method
- Structured growth and network development
- The necessary training support, advice and assistance
- Effective communication
- A relationship structured, negotiated and conducted in good faith

### Other points to consider

Franchising of course cannot quarantine franchisees from normal business risks and difficulties. Not even the most successful franchise systems can claim 100% success for each franchise outlet opened. In particular, you should consider the following:

Remember that success or failure is largely dependent on the quality of the franchise system provided by the franchisor.

Individual franchisees may fail within otherwise successful systems because the location proves not to be viable, the personality of the franchisee is incompatible with the demands of the system or the franchisee has not properly managed the business.

In good franchise systems the franchisor will have developed location analysis tools, franchisee profiling techniques and training programs designed to minimise potential problems. The franchisee nevertheless retains a responsibility to exercise due diligence in relation to all aspects of the industry, the franchisor and the system.

The breakdown of the interdependent relationship between the franchisor and the franchisee is also a significant factor in franchisee failure, and it is your responsibility, as well as the franchisor's, to maintain strong and effective communication.

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