

Lori Karpman & Associates Ltd.

A Varied Menu of Franchise Selections —
Do I want fries with that?
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Of

my 15+ year career in franchising, 12 of them have been spent in food, so I know a bit about the industry. Food franchises are the largest segment of the franchise industry. Most people attracted to it think it's easy. Let me assure you it is not. It takes time, dedication and a lot of patience! But it is fun and rewarding and challenging. Wading through the multitude of choices is no easy feat-so here are some essential factors to consider when buying a restaurant franchise.

Your quality of life is the first place to start. For this, consider the hours of operation of the franchise you are investigating. You don't need to have previous restaurant experience by the way, you will get all the training you need from the franchisor. A shopping mall location will be required to operate during mall hours. A breakfast franchise is perfect for an early riser and closes generally at 3pm. A street front location is likely 24/7. In all cases, the owner must be the active operator of the business to ensure success so quality of life has to be the largest personal factor in the decision making process.

"The" most important external factor in considering any franchise is the location. If you are buying a mature franchise, often the best locations are gone unless you are buying an existing unit-but you have the goodwill of the name wherever you are. When purchasing from a newer system, you generally get to take advantage of having a better selection of locations. I advise clients in all cases to wait for a great location as this alone can make or break the success of the business. Visibility, ease of access and signage are top concerns when considering franchise locations.

When evaluating a franchise system there are certain valuable indicators of success. Firstly, the number of units and the number of multi-unit owners. Having multi-unit owners is a sign of success as it means that units are successful enough to incite franchisees to buy multiples. Another important number is the turnover rate, that's the number of franchises re-sold in a year expressed as a percentage of the whole-this tells you how fast franchisees are selling their stores. If the rate is high then there is something to investigate further. And how close together, or far apart-are the stores from one another? Do they share the same clientele? All of these questions need to be answered in order for you to make an informed decision.

Often overlooked in the franchise selection process are the people behind the system. Generally you will deal with a development person during the sales process and have little to do with him/her thereafter. It's imperative that you meet the people in the field who you will work with on a daily basis-can you work with these people regularly? As well, take the opportunity to meet the founders to see where the concept is going and if it is poised to meet the challenges of the future.

The keys to success at the store level are on two-fold: continual marketing and cost management.

Consumers have so much choice that marketing efforts must be made on a regular basis to keep your store top of mind. When sales are slow there is a natural tendency to cut the marketing budget when in fact this is the last place that should be cut at this time. Efforts should be increased rather to drive traffic to your store. Cost management can be a little trickier. Many, if not most, of your costs are fixed. These included rent, taxes, utilities and the like. Food cost and labour cost are really the only variables so you have to be diligent about watching these numbers. A couple of percentage points can be tens of thousands of dollars at the end of the year. A good franchise system will have all the necessary systems and tools in place to assist you at this operational level. Be sure to speak with existing franchisees to be sure this is the case. A franchisor's primary role is to provide the franchisee with all the support required to develop his business.

With the vast selection of food franchises out there picking one can be a challenge. If you make a quality of life decision first, you will narrow down the field instantly. Of course, your budget will do that too, but you will find one! And to all of you that choose this path, Bon Apetit!

Lori