

## Tips to consider when thinking about buying a franchise

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Quite often we see people who are interested in establishing their own business in order to avoid working for other people. Often a downsized executive is no longer interested in working for someone else and wants to buy a company to provide for the family.

At that time, we may discuss whether buying a franchise is something to consider. A franchise is basically a license from a franchisor to run a business. The franchisor provides the business owner with marketing and training support. For example, Subway allows people to buy a franchise to operate individual Subway stores. Subway in turn provides training, marketing and product support in exchange for certain fees.

Is buying a franchise right for you? One benefit is that the franchisor will train you on how to operate the business. If you don't have experience running a company, this may be very valuable. Further, with a well-known franchise, you obtain a marketing brand which would presumably include a built-in customer base.

For example, if you open a new McDonald's, you would have business on opening day. A strong business name makes a franchise more likely to succeed and enables you to qualify easier for bank financing. Further, many franchises have fairly predictable earnings, especially if you buy an existing location.

However, franchising is not for everyone. If you are leaving corporate America because you don't like controlling people, franchising is probably not for you. The franchisor will generally want to direct your marketing and operations. Further, you will have to pay royalty, franchise and advertising fees to the franchisor.

Some owners find this acceptable early in their business career and then become resentful later when they don't find as much value in the training. Additionally, a single franchise unit may not bring in the revenue needed to maintain your standard of living. Some owners solve this problem by purchasing several franchise locations, but if you are not interested in managing multiple locations this may not be a viable solution for you.

Buying a franchise is not for everyone. You will want to carefully explore your options prior to investing in any business. But for those who follow this route, owning a franchise - or multiple franchises - is one way to own your own business while managing the risk of business ownership.

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