



SMALL BUSINESS
KNOWLEDGE AND
TRAINING PORTAL

TSBDC.org

AMERICA'S
SBDC
TENNESSEE

FRANCHISING MYTHS

LESSON TOPICS

1. Fast Food and Retail

When you hear franchise, you most likely think fast food or retail. However, there are more than 90 industries that have franchises and over 3,600 different franchise companies. There are over 900,000 operating units. The categories of franchises are business services, automotive, commercial & residential services, personal services, retail products & services, and other

2. Quality of the Product

Franchises only succeed if we wait until we find the very best product. This is not true! When thinking about McDonalds and their hamburger, it is not the best hamburger around, but McDonalds is very successful. This is due to their proven systems in marketing, sales, operations, accounting, and training.

3. New Industries with No Competitors

Successful franchises exist in well established industries and create consolidation. Having competition is good because it shows that there is a market for that business.

4. Expensive

As a whole, franchises are actually much more affordable than you think, other than fast food franchises which are expensive. There is no correlation between the cost of the franchise and the return on your

investment. To buy in to a franchise you, personally, will have to have 25-30% of the finances to start. Financing the remaining 70-75% is easier to obtain than you think. Some financing sources for the personal portion include personal savings, friends, relatives or partners, home equity line of credit, seller financing, 401K, and IRA.

5. High Return Requires High Investment

There is no correlation between the franchise cost and the potential return. One of the most common franchise types are service businesses. Service businesses require smaller investment but yield higher returns most often.

6. Industry Experience

Franchisees do not have to find a franchise that aligns with their past experiences. In fact, this can become problematic since the franchise will come with its' own proven systems to follow in that industry. They will want someone who will be the owner not in the business. Being in the business prevents the owner from focusing on marketing, advertising, and growing the business. Franchisors can teach you about the industry.