

FRANCHISE OR INDEPENDENT BUSINESS

In the business world there are two main methods of setting up a small business.

An independent small business certainly has advantages but someone buying a small business faces a daunting task of becoming multi-skilled in tax matters, employment relations, frequently a lease of premises is involved along with marketing the business. Most people lack the basic business skills for the successful running of a small business and the owner will face many months with little income until the business reaches a foothold in the market. Regrettably many small businesses fail early due to the high cost of set-up and the shortage of cash flow. The small business owner can have all the skills in the world in the line of business but unless the business is economically viable it is doomed to fail. Over the past few years, with the banks and other lending institutions having very strict criteria for lending and monitoring finance, it is more difficult to borrow for the setting up of a small business. The major advantage of the independent business is that the owner is the boss and is answerable only to him or herself in the running of the business.

On the other hand franchising is also not ideal for everybody and it is vital before considering the purchase of a franchise several features of the proposed purchase which must be taken into account. Franchising is a system where one party puts together a business structure and anybody who is willing to pay a price to adopt that structure for their business may join the chain.

Many of our large organizations are run under the franchise system, McDonalds being one of the best known. McDonalds is world-wide organization with branches in many places all run under a franchise arrangement.

One of the most important aspects of a franchise is to see whether service to be provided or the product to be sold is a good market to be involved in. Obviously someone intending to enter the fast food industry would need to look at the other fast food outlets in the area and also the type of area where it is proposed to set up business.

It is also necessary to look at the company offering the franchise, to ascertain whether it has been in business for a number of years, their relationships with suppliers and customer and also the franchisor's financial situation.

Costs are also a major issue when purchasing a franchise. Very often the purchase and subscriptions can be quite high and so the level of support provided by the franchisor must also be considered. The cost of borrowing can be prohibitive and the initial set up can be much more expensive than setting up an independent business.

Many franchisors offer support and training with systems that may be unfamiliar to the person setting up in business. They also set standards which must be adhered to.

It is true that some people purchasing franchises have been let down badly and for that reason it is essential for anybody contemplating a franchise to get expert advice from a suitably qualified person, including bankers, lawyers, and accountants before signing up for the purchase of a franchise.

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