



» KATE NILAN
Associate
Gray Plant Mooty
kate.nilan@gpmlaw.com
www.gpmlaw.com

Should I Franchise My Business?

IT MAY BE THAT SPRING has just arrived, but it finally feels like we're crawling out of a long, deep economic sleep. Businesses across Minnesota are dusting off the "not until things get better" pile and turning to thoughts of growth and expansion. For many, franchising seems like it could be the next logical step. Here are some franchising questions to consider as you're cleaning off that porch furniture:

1. Do you already have a successful business? Most of the biggest franchise systems in the world (McDonalds, Dairy Queen, H&R Block, to name a few) started with one or two successful locations that drew people in. If your business isn't at a point yet where you have a reliable balance sheet, franchising will not solve your credit crunch or expansion problems. If, on the other hand, it seems that people walking in your door have mentioned that they want one in their neighborhood, you may have the next big franchise system.

2. Can your successful business be replicated? It is not enough for your business to be successful. It must be repeatable. At a recent franchise convention, I spent some time with a phenomenal George W. Bush impersonator, but, alas, no matter how many events he and his wife (a Laura look-alike) attend per year, there is no way to franchise that concept. It is important that your business already have in place an operations manual that can be adapted and expanded so that a prospective franchisee could pick it up and understand what you do and do what you do. If you can't explain your business in a

paragraph, step back and spend some time honing the operations and purpose—maybe franchising is a year or two down the road.

3. Do you have the resources to devote to developing your franchise system? Many young businesses looking to expand to a second and third store—but wanting someone else running the shop and worrying about the bottom line—think franchising may be the perfect solution. But those first few years require many hours of training, sales, and development time, with an equal amount of hours (and money) spent putting together the legal documents required to sell franchises in the U.S. If your business can't afford a bit of investment now, you may want to build up those financial reserves before tackling the funding and people commitment that franchising will demand.

Of course, these are just the first three questions that might be useful to ponder as the weather is warming up and your business is humming at a more consistent pace. Minnesota is fortunate to have a bustling franchise community, and if there is one thing about franchising, it's that everyone in it is open to new ideas and willing to share how they stumbled into an industry that churned over \$2.3 trillion in the last year. And that was during the economic deep freeze.

It will only get warmer from here on out.