

12 Keys In Choosing The Right Franchisees

It occurs from time to time in business, that the shop proprietor will send out messages of staff vacancy followed by a grand list of other recruitment practices. Staff shortage is always commonplace in the marketplace and candidate selection has become the most usual corporate rituals in the human management process. Operating in very much the same way is the Franchisee recruitment system. Having said that, Franchisors will be actively involved in value searching among a large pool of prospective Franchise candidates.



By Jason Yap



More often than not, the stages involved in the recruitment process look like the following:

- At the outset, the Franchisor would normally receive some form of enquiry either by way of letter or telephone call from the prospective Franchisee. The Franchisor then responds by sending out a glossy presentation with details in relation to the Franchise company and its particular success story. Very often this is presented in a question and answer form and some brochures will include an indication of what franchising is as some potential Franchisees do not really have an understanding of the nature of business of the Franchisor. It might also be necessary to send out to some prospects a copy of one or more publications or articles on Franchising generally or newspaper articles on the franchise package or the personalities operating it to enable the prospective business buyers to gain an all rounded insight of what the Franchise business is all about.
- The Franchise package is sometimes accompanied by an explanation of what the Franchisor does for Franchisees in terms of setting them up and continuing to service their needs afterwards. Financial projections are usually also dispatched with the initial material. These are presented as an indication of what is possible, as distinct from what one will actually achieve and it is very important to include suitable caveats or reservations to ensure that the potential Franchisee understands that these are in the realms of possibility and not certainty.
- Later on, the Franchisee will be invited to complete an information sheet which will provide the Franchisor with details about the Franchisee in order that they can assess the Franchisee as a potential Franchisee. This will then be accompanied by a letter inviting the Franchisee to contact the Franchisor to discuss the matter.



The selection procedure is not one to be taken lightly as well. The most crucial stage in franchise is the selection of potential Franchisees, particularly in the early days of the Franchise venture. It is true that the skills of choosing the right people can only developed with experience. The following are the common aspects of which the Franchisor should be aware of when choosing Franchisees and some of the factors to be taken into consideration:

1. Do not allow the Franchisee get the better of you

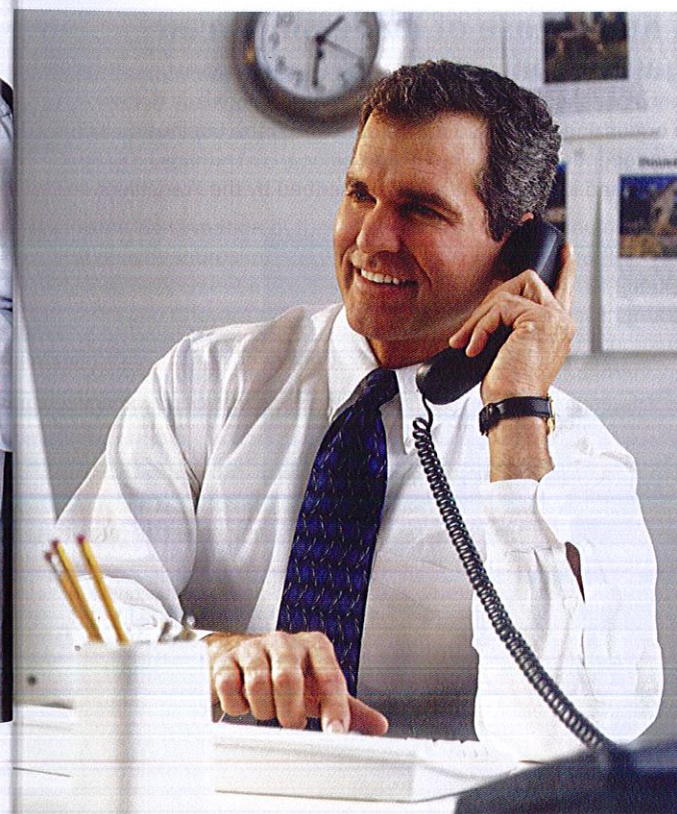
It is very often a mistake made by Franchisors who are anxious to get up and running that they will offer the first Franchisee a special package. This is a mistake and general experience has shown that it builds up problems later in exercising control over the Franchisee that regard themselves as a "special person" and therefore feel entitled to "special offers"; if allowed, Franchisees will communicate with each other and the fact that one Franchisee gets a special deal will cause resentment with others later on.

2. Fact finding through an objective franchise questionnaire

Many Franchisors develop what they call a franchise profile in terms of the type of person they would like to see as a potential Franchisee. You need to develop criteria as to the type of person or persons you would like to see as Franchisees. It is always useful to consider whether the operating body is a discharged bankrupt, or one who is having many commitments with banks, etc in order to ensure business is carried out smoothly.

3. Money wise

It is obviously important that a potential Franchisee would have the adequate financial resources to get started. It is usual for Franchisors to provide information as to possible funding sources, etc just so that the prospect gets the opportunity to make an informed business decision.





4. Business experience in related fields

Most franchise companies require their potential Franchisees to have some prior experience of the particular trade as training alone will not eliminate the ignorance of an inexperienced franchisee. On the other hand, some Franchisors believe that a previously trained person will be more difficult to train in the particular business because they will have certain preconceived ideas or ways of doing things. Eventually things will fall into place when proper training is provided to control and prevent human errors.

5. The age rule

Although age is no longer a boundary in today's business world, where a teenager can perform his business dealings on the internet or by other means of social media, the Franchisee must be old enough to be apprehensive of all the duties and responsibilities that a franchise business entails. He or she needs to be mature but young enough to be vigorous and hard working all at the same time. Franchise can be very demanding yet a fulfilling enterprise depending on the angle one sees it.

6. Getting to know the Franchisee's background

When considering to take up a Franchise, it is worth noting that the support and backup of their spouse or partner can be a real benefit. It is surprising that in many cases, potential Franchisees do not go through the details of their proposed venture with their partner before signing up. It is in the Franchisor's interest to ensure that while the spouse or partner may not be a party to the agreement, they are as fully committed to the concept as the Franchisee themselves. Some Franchisors consider it important to have at least one meeting with the potential Franchisee and their spouse/partner in their home. Seeing them together and the way in which they live can tell a lot about them.

7. Keep your Franchisees within the limits

Through the passage of time, the potential Franchisee must be independent enough or motivated enough to be able to run their own business. This is a common sign of entrepreneurship but they must not become too independent so that they can break away from the Franchisor.

8. Trust comes with integrity in Franchise

A good Franchise relationship is based on initial and ongoing mutual trust and respect. It is important that there be honesty in the relationship as the Franchisor will, to a large extent, rely on the Franchisees honesty in relation to the Franchise returns.

9. Keen sense of leadership in an organisation

A Franchisor should satisfy himself that the Franchisee does have organizing ability and will be able to run the business, semi-independently. They must also be open to training, guidance and ideas as and when prescribed by the Franchisor.



10. The making of an all rounded Franchisee

Certain people may be able to run businesses fairly effectively, but they may not be into or capable of handling issues of customer service or care. While they might be very good on technical matters, they may not be able to relate to customers and that might be their downfall. The Franchisor may need to discover further about this and design suitable training programmes to assist any particular Franchisee with a specific skill deficiency. Only well trained Franchisees can overcome any given difficulties faced in the franchise business. This can be discussed further in an interview with a prospective Franchisee.

11. Developing the Franchisor's network or organisation

Last but not least, as the franchise business grows you may find that you need to take people on to handle the Franchise operations alone. It is important that the need for such personnel is recognized in advance and that you respond proactively by hiring relevant staff in advance to fill out whichever positions as they become empty. This is a matter of timing and judgment on the part of the Franchisor in order to ensure the smooth running of a franchise system. There will be expenses incurred in both establishing and running any Franchising activity, sometimes before there is a commensurate income stream to compensate for it. Therefore, failure to analyse any given situation very cautiously is deemed to result in a negative financial impact to the business.

12. Explaining the fees structure to the Franchisee

Generally speaking, it is felt that the initial franchise fee should be a relatively modest capital sum and be sufficient to cover the expenses incurred by the franchisor on franchisee evaluation training supervision etc., and also incorporating a certain profit element by way of return to the franchisor. There need to be a full run down on the fees structure by the Franchisor to the Franchisee and a disclosure on what the fees are used for before entering into any binding agreement.

Upon confirmation of the offer, the Franchisee should represent a secure source of income for the franchisor before the commencement of business. In return the franchisor should offer the relevant services to the franchisees to cover areas such as financial accounting, marketing and advertisements, business organization and staff management, trademark licenses and other business innovation opportunities.



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