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What Factors to Consider Before Starting a Franchise?

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However, don’t just dive into the franchise business head first, take a second and consider the following three factors:

- **Solid Track Record of Sales:** A franchise that can demonstrate successful sales performance with its existing franchisees, usually indicates that this will be a profitable investment in the future.
- **Growing Market:** When searching for the perfect franchise make sure your franchise into growing industries like the food industry. For example, invest in a franchise like Burger Bistro which is the first and only gourmet burger franchise in the country.
- **Personal Passion:** An important factor to consider before investing in a franchise is whether you are interested in the service or product the franchise provides. A passion project is much easier to devote countless hours to.

What are the Risks of Starting a Franchise?

While investing in a franchise can result in a high return on investment, that isn't always the case. You must understand some of the risks associated with the franchise business. These risks include:

Lack of Industry Skills and Competencies

Before you invest in a franchise you need to ask yourself a couple of questions. What skills can you bring to the table? How much do you know about the business and the industry? Taking stock of your skills and competencies, as well as any gaps that you'll need to fill, can offer you a clearer picture of how big a risk the venture will be.

Financial Risks

Financial concerns arise when the franchisor lacks the means to fulfill its expansion objectives. Examine the financial accounts in the franchise disclosure document carefully to evaluate how well-capitalised the franchisor is.

Disadvantages and Advantages of a Franchise

4 Disadvantages of a Franchise

1. Purchasing a franchise entails continuous profit sharing with the franchisor.
2. “One bad apple spoils the whole bunch”. If one Franchisee makes a bad decision this reflects badly on the entire franchise.
3. At the end of the franchise period, franchisors are not required to renew the agreement, leaving you in the dust.
4. Franchise agreements restrict how the business is operated, therefore there may be minimal space for innovation.

4 Advantages of a Franchise

1. Franchises provide the independence of small business ownership while also providing the benefits of a large business network.
2. Franchises already have an established reputation and image, giving you access to loyal customers and other benefits like national advertising.
3. Running a franchise does not necessitate prior business expertise. Franchisors typically give the training required to run their business model.
4. Franchises outperform start-up businesses in terms of success and profitability.

If you’re ready to dive in and franchise, visit Business for Sale to check out franchises for sale!