

Franchise Feasibility Test

Is it time to franchise your business by duplicating your brand in multiple locations? Not every business can be (or should be) franchised. Consider the following checklist to determine whether your business may be ready to be franchised. Start-up franchisors should be able to answer “YES” to most of these questions.

YES	NO	QUESTION
<input type="checkbox"/>	<input type="checkbox"/>	<p>1. REPLICATION</p> <p>Can others succeed in operating your same business but at a different location? If your current business is successful because of its unique location or your personality, then the answer is almost certainly “no.”</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>2. SECRET SAUCE</p> <p>Does your business have a “secret sauce” that is vital to the business and that cannot be duplicated by others, such that potential competitors and franchisees need to buy into your franchise system to be successful?</p> <p>Examples: An award-winning recipe, proprietary software or patents, a very well-respected and protected brand, or established contracts with vendors or customers.</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>3. MORE SECRET SAUCE</p> <p>Does your business have a “secret sauce” that will keep franchisees tied to you after they have learned the business, both during the term of the franchise relationship and possibly thereafter? If a former franchisee could duplicate your business without your assistance after the franchise term expires, you most likely do not have this secret sauce (and a post-term non-compete against franchisees is costly to enforce).</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>4. COMPANY-OPERATED STORE(S)</p> <p>Do you have at least one currently operating location that is successful? Also consider how long you have been operating this location because by franchising, you are copying-and-pasting this model and brand in multiple locations.</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>5. FINE-TUNED BUSINESS MODEL</p> <p>Is your business model fine-tuned such that you can copy-and-paste this model as it currently is by permitting franchisees to use this exact same business model? Don’t use franchisees as guinea pigs for developing or tweaking a new prototype.</p>
<input type="checkbox"/>	<input type="checkbox"/>	<p>6. RETURN ON INVESTMENT</p> <p>Would your franchisees be able to pay you a reasonable royalty off the top and pay marketing and operating expenses—and still make a satisfactory salary for themselves and a return on their investment (e.g., the initial franchise fee and startup costs)?</p>

YES	NO	QUESTION
<input type="checkbox"/>	<input type="checkbox"/>	7. SYSTEMIZATION Can you accurately describe your business' daily operations in a written operations manual that franchisees can follow? If you have already documented most of your day-to-day operations, even better.
<input type="checkbox"/>	<input type="checkbox"/>	8. TRAINING TIME Are you able to train a new person to operate your business in a short amount of time (usually less than a month)?
<input type="checkbox"/>	<input type="checkbox"/>	9. SALES & TRAINING TEAM Do you have the time or personnel to devote to promoting and selling franchises? Do you have the time or personnel to train new franchisees on the system and oversee their start-up operation?
<input type="checkbox"/>	<input type="checkbox"/>	10. BRAND NAME Do you have a reputable brand name that can be protected by a registered trademark? Example: A generic brand name, such as The Furniture Store, can't be trademarked. If too many others are using similar names or if someone already has a federally registered trademark for the name, you cannot use that name to franchise.
<input type="checkbox"/>	<input type="checkbox"/>	11. CURB APPEAL Is there a national—or at least a regional—appeal for your brand or demand for your products or services, such that prospective franchisees would be excited to open and operate this business in other locations, and customers would desire to purchase products or services from these franchises?
<input type="checkbox"/>	<input type="checkbox"/>	12. GROWING INDUSTRY Is your business in a growing industry, as opposed to a fad?
<input type="checkbox"/>	<input type="checkbox"/>	13. VENDOR CONTACTS Do you have existing relationships with vendors and suppliers that could supply products or services to your franchisees?
<input type="checkbox"/>	<input type="checkbox"/>	14. FUNDING SOURCES Would a franchisee be able to obtain funding to acquire a franchise and operate it, whether from personal sources or lenders? Consider the amount of capital required to open a location and whether a typical lender would lend for such a business model.
<input type="checkbox"/>	<input type="checkbox"/>	15. RESOURCES TO FRANCHISE Do you have the time, money, and personnel resources to franchise your business? While one of the benefits of franchising is that you can use other people's money to make money, you need significant startup and operating capital to franchise your business (including for preparing marketing materials, documenting the system, hiring a franchise attorney and registering in certain states, and staffing).

YES	NO	QUESTION
<input type="checkbox"/>	<input type="checkbox"/>	16. A NEW BUSINESS VENTURE Do you have the temperament to be a franchisor? Selling franchises is a different business than selling products or services to customers, as your customers are now prospective franchisees and the products or services are your brand, system, and guidance.
<input type="checkbox"/>	<input type="checkbox"/>	17. FRANCHISE ATTORNEY Do you have a reputable franchise attorney (and your general business attorney may not count) who can structure your franchise system, prepare the necessary disclosures required under state and federal law, and register your franchise system in states that require registration? You want someone to help you who not only knows the law, but has experience helping others become successful franchisors.

SO ARE YOU READY TO FRANCHISE? While no single factor above is dispositive, the above factors might help you determine whether you can (or should) franchise your business.

Contact any of the following attorneys in Larkin Hoffman's Franchise & Distribution Practice Group to learn more about franchising your business:

Larkin Hoffman

8300 Norman Center Drive, Suite 1000
 Minneapolis, MN 55437-1060
 Attn: Franchising

EMAIL Franchising@LarkinHoffman.com
PHONE 952-835-3800

WEB www.LarkinHoffman.com
BLOG www.FranchisorAttorneys.com

Chuck Modell

EMAIL CModell@LarkinHoffman.com
PHONE 952-896-3341

Joe Fittante

EMAIL JFittante@LarkinHoffman.com
PHONE 952-896-3256

Sawan Patel

EMAIL SPatel@LarkinHoffman.com
PHONE 952-896-3242

NOTES

Disclaimer: While the information provided in this document is believed to be accurate, it is general in nature and should not be construed as legal or business advice. Contact your attorney with respect to the contents of this document. Larkin Hoffman Daly & Lindgren Ltd. has proudly served the legal and business counseling needs of clients since 1958. As a full-service law firm, it provides counsel and legal guidance in more than 20 areas of law to clients ranging from individuals, start-ups, and multi-national companies.

4816-2930-9468, v. 1