

FRANCHISING

SBDC STARTUP SERIES

Many entrepreneurs consider buying a franchise instead of building their own business from the ground up. Buying a well-known franchise might seem like an ideal business decision: It offers instant brand recognition, a trusted product and inclusion in nationwide advertising campaigns. While owning a franchise has its perks, there's a lot more to it than sitting back and raking in the cash.

What is a Franchise?

A franchise is a legal and commercial relationship between the owner of a trademark, service mark, brand name or advertising symbol — the franchisor — and an individual or organization — the franchisee — wishing to use that identification in a business.

Think of franchising as paying for the work that someone else has done in developing a successful business model, marketing strategy and efficient operations.

The popularity of the franchise business model has to do with its proven track record of success and ease of becoming a business owner; however, even though the success rate for franchise-owned businesses is significantly higher than for independent businesses, no individual franchise is guaranteed to succeed.

Finding the Right Franchise

Research is the key to finding the right franchise opportunity for you. You'll need to decide how much of an investment you are willing or able to make.

The average initial franchise investment is \$250,000, excluding real estate, though there are many franchises available for smaller investments. The average royalty fee paid by franchisees to the franchisor ranges from 3% to 6% of monthly gross sales. The average length of a franchise contract is 10 years.

After examining the costs, consider what type of business interests you and best fits your lifestyle. There are many books and websites that can help you identify specific opportunities, including franchising.com, bestfranchise.com and foodfranchise.com.

For more information about franchising, visit sba.gov/content/franchise-businesses.

ABOUT THE MONTANA SBDC

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The Montana Small Business Development Center Network is a partnership among the Montana Department of Commerce, the U.S. Small Business Administration, regional economic development organizations and institutions of higher education.

This network consists of 10 centers throughout the state that offer free, confidential, one-on-one business counseling and low-cost training programs to small businesses and entrepreneurs.

The SBDCs are dedicated to helping small businesses throughout Montana grow, innovate and succeed. Our network combines the resources of federal, state and local organizations with the education system and private sector to meet the specialized and complex needs of the small business community.

Visit sbdc.mt.gov and contact the SBDC nearest you to learn more about counseling services and training programs available in your area.

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