

THE WALL STREET JOURNAL.

August 31, 2008

Is Franchise the Right Business for You?

By KELLY K. SPORS

August 31, 2008

It's a common scenario: Someone walks into a chain restaurant, loves the food and ambiance and suddenly thinks, "I should own one of these."

It's tempting to pick a franchise based on personal experiences or love of the product. But the fact that you're smitten with the business or what it sells doesn't mean it fits your lifestyle, financial situation or long-term goals.

Franchise buyers need to spend ample time exploring their options and doing some thoughtful self-exploration before signing on the dotted line. The last thing you want is to buy a fast-food restaurant only to realize you don't like 80-hour workweeks, chatting up customers or managing 20 people.

Many people buy franchises "thinking about how much money they can make without thinking about lifestyle issues," says Mark Siebert, president of iFranchise Group, a Homewood, Ill., consultant to franchisers.

Self Exploration

Of course, a franchise's financial health is an important factor and franchisees must spend ample time investigating a system. But along with that due diligence, they also need to think about their own skills, lifestyle preferences and long-term goals.

This means answering questions like:

- What are my biggest strengths and weaknesses both professionally and personally?
- How much money can I afford to invest in a franchise without risking all my retirement funds?
- How much flexibility do I want in the hours I work? What's my risk tolerance?
- What tasks will I be happy spending at least 30 hours a week doing? What are my long-term goals?

For instance, many people assume they want a food-based franchise because they ate at one that they really enjoyed. But restaurant franchises often require huge upfront costs, lots of workers and inflexible long hours. Some people thrive in such an environment, but many people want a franchise with more flexibility and fewer employees.

Many people don't realize the wide variety of franchises out there until they start looking, Mr. Siebert says. Nowadays, there are franchises for just about every industry imaginable with very different business models.

Some allow franchisees to set their own schedules and work from home. Some are far less flexible and require hiring and managing a lot of people; others are geared toward solo entrepreneurs. Some franchises require someone to be good at sales while others might fit less-braven personalities.

Outside Opinions

Les Jordan, of Webb City, Mo., and his wife, Dian, purchased a Caring Transitions franchise last year. Mr. Jordan, 61, chose the franchise -- which helps families sort through belongings and organize estate sales -- after looking at dozens of other options.

Mr. Jordan had considered fast-food chains, home-design businesses, and woodworking suppliers among other options. But he ultimately chose Cincinnati-based Caring Transitions because he liked the low start-up costs as well as the ability to run the business from home and to mostly set his own hours. Having spent 25 years working for an architectural and management company, he also felt his previous sales experience would help.

"I didn't want something where I'd have to come into work and do the same things day in and day out," Mr. Jordan says. "That's what I'd done for so much of my career -- I wanted something different."

Conducting such in-depth personal analysis is often easier said than done. People aren't always the best judges of their own character. So, prospective franchisees should consider seeking some outside help assessing their strengths and weaknesses.

Friends, family members, former colleagues and objective advisers can give prospects some helpful insights on their personalities and strengths.

There also are so-called franchise brokers, professionals who interview prospective franchisees and then provide them with a list of compatible franchises for free. They could help a person clarify personality strengths and goals and provide a greater level of detail about the franchise systems and what franchisees are expected to do.

But there are limitations to using a broker. Many represent only a sliver of all the available franchises, and they get paid a hefty commission from the franchiser when a person buys one of the recommended franchises.

Finding the One

Once a prospective franchisee has come up with a list of criteria, there are some resources to help narrow down the pool of 3,000-plus franchises out there.

The International Franchise Association's Web site, franchise.org, offers a free, searchable database of more than 1,250 franchise systems. On the home page, scroll over the "Find Your Franchise Here" tab near the top left, and then click on "Search over 1,250 Franchises" underneath it.

Some companies publish franchise directories that offer details about the franchise systems and what franchisees will be expected to do.