

Five things a first-time franchisee needs to know

There's a point in many people's lives when they consider running their own business. But not everyone has a killer idea or knows the nitty gritty of how to launch and run a business.

That's why many would-be business owners turn to franchising. A franchise is in effect a branch of a big national or international company. The branch is yours as *franchisee*, but the brand is run by a *franchisor* who owns the name. For example, most Rodney Wayne hairdressers or Caci beauty therapists are franchises where you can own the local business and pay Rodney Wayne or Caci to use their name, systems, products, and so on.

If you think franchising could be for you, then read on for five key points to know for potential franchisees:

- **Choose a franchise to suit:** some of the most common franchises in New Zealand are cafes such as Columbus and home service businesses such as Green Acres. But franchises come in many different flavours says Simon Lord of Franchise New Zealand. In fact there are 450 different franchised businesses in our small country and we have more per capita than any other country in the world. But don't just look for any opportunity, says Lord. "A great Green Acres franchisee might make a terrible McDonalds franchisee or vice versa," he says.
- **Buy what you can afford.** Chances are you're going to invest your life savings and/or borrow against your home. It can be tempting to eye up a more expensive franchise than you can afford. "If your accountant says you can't afford it, then don't," says Lord. Overstretching yourself financially can be very stressful.
- **Be careful:** Buyer beware. First time franchisees do need to be cautious, says Lord because there is no franchise specific legislation in New Zealand. A Franchise Association of New Zealand standard Disclosure Document is a good start. Even then it's vital to get advice from an accountant and a lawyer who are both franchise experts.
- **Take advantage of the training:** Going from wages to business owning is a huge leap. The advantage of a franchise is there's someone there to show you the ropes. "If you buy a café, but have no experience running one you will be trained in absolutely everything you need to know to run that specific business," says Lord. You'll be shown everything from opening up the front door in the morning to employing people, complying with health and safety and so on.

- **Ask yourself the right questions.** Do you know who you are? Can you afford to lose your capital? Will you be 100% committed to the work and don't mind following the rules? Are you looking to invest with a partner or spouse? If so, do you have their support?

Whatever you decide, do your homework on franchising before taking the leap. You can even do online pre-entry training through the Franchise Association of New Zealand. Information about that course can be found at <http://www.franchiseassociation.org.nz/franchisee-pre-entry-education-programme.html>. Visit websites such as franchise.co.nz where you'll find lots of articles. Network with as many contacts as possible who have been involved in franchising. Their advice could be worth its weight in gold.

Whatever you decide, do your homework on franchising before taking the leap.