

# The Entrepreneur

## Franchising has its good and bad sides

Entering the marketplace by operating a franchise can be one of the best ways for the new entrepreneur to launch a successful business.

It enables those with limited business experience to utilize the highly developed management, marketing and purchasing skills of a large company with proven experience in its field. The entrepreneur, given a proven formula and a management system, has an excellent opportunity to succeed.

Assuming that the franchisor's system is followed, the risk factor is reduced dramatically.

The arrangement is covered by contract and the franchisor usually charges a franchise fee (one time), plus a royalty on sales. The package may also include other items such as personnel training, assistance in advertising, leasing, financing, the use of its trademarks/logos, supply of product or equipment and management training.

It will also permit the franchisee to use the company name, which, if well known, is a major asset in establishing a new business.

The number of restrictions imposed will vary greatly, depending on the product or service being franchised.

There are both good and bad points to franchising though it is of greatest appeal to the conservative entrepreneur. Franchising, by its nature, places certain restrictions on the franchisee.

The franchise agreement may restrict the products which may be sold, the area of operation, the outlet's physical appearance and its methods of operation.

These limitations may be too severe for the entrepreneur who wants to implement innovative ideas as the business develops.

Other risks include:

1. The possibility that the franchisor does not live up to expectations. In particular, the franchisor may turn out to be underfinanced, inexperienced or lacking in integrity.

2. Trademarks and tradenames may not bring in the volume of business expected. In addition, the franchisor may not have legal title to the trademarks or tradenames which the franchisee has purchased the rights to.

3. Often, franchisees underestimate the amount of hard work involved, particularly in the early years, to get the outlet started.

4. The market may become oversaturated by the franchisor or by competitors.

5. Profit and cash flow projections may have been overly optimistic and perhaps unrealistic.

6. Some franchise agreements are so complex that there is con-

stant concern as to what can or cannot be done. A lawyer can help sort out some of the key questions.

7. Services, inventory and equipment which the franchisor provides per the agreement may well be available elsewhere at lower prices.

8. The franchisee may be locked into buying services from the franchisor which may be of no value.

Franchising has proven to be a very successful method of distributing products or services for many companies and has provided many individuals with the opportunity to own their own business.

Although franchisees are self-employed, they must conform to someone else's pattern of doing business. The degree of success achieved will depend to a very large extent on the franchisee's ability to operate as part of a team and a willingness to follow proven methods of operation as laid down by the franchisor.

Co-operation is easy at the beginning, but as the franchisee acquires experience, there is often a tendency to resent outside guidance. This is the time to talk things over and possibly renegotiate the terms of the franchise agreement with the franchisor.

However, the well-earned and publicized success of franchise operations has attracted a number of unqualified and unscrupulous promoters whose intentions may simply be to sell as many franchise agreements as possible before disappearing into oblivion.

The Ministry of Consumer and Commercial Relations issues a booklet entitled *Facts about Franchising*. It outlines the proper way to go about checking out a franchise/franchisor and the concept of franchising.

Here is a summary of both the advantages and disadvantages of franchising.

- Advantages**
1. best chance of success
  2. total business package
  3. proven formula
  4. marketing program with associated product and business trade name
  5. buying discount
  6. management training
  7. very often careful local market analysis and territory protection

- Disadvantages**
1. high cost entry franchise fee plus franchisor's equipment
  2. ongoing royalty
  3. no deviation from set business standards
  4. limited scope for growth without purchasing a second franchise

# NOS Program wonders what young people want

By Jan Mah  
Community Development Worker

In the short space of time I've been working in your community (7 months), a growing concern for the youth of the communities and their parents has been expressed.

Parents struggling with the independence of their teens, and teens struggling to "get their wings", seems, at times to threaten the long-term relationships between children and their parents.

If there are alcohol or drug problems as well that have to be dealt with, the task of coping seems next to impossible.

"What do young people want?" is a question many parents and adults are asking these days.

C. Richards has the following

to say:  
What do young people want?  
They want to be autonomous persons with integrity,

Who are cherished contributors to the development of community life.

The time has come for adults to put themselves on the line  
As partners in action  
For communities worthy of  
The potentials of youth.

Young people do want to be included

In the life of Society.  
Not in the nurturing sense  
As children,  
But, as persons recognized as capable

of managing their lives  
And, of contributing creatively  
To the community.

"What do young people want?"

May not be the right question. Perhaps, what is more relevant  
For a Democratic Society  
Are the questions:

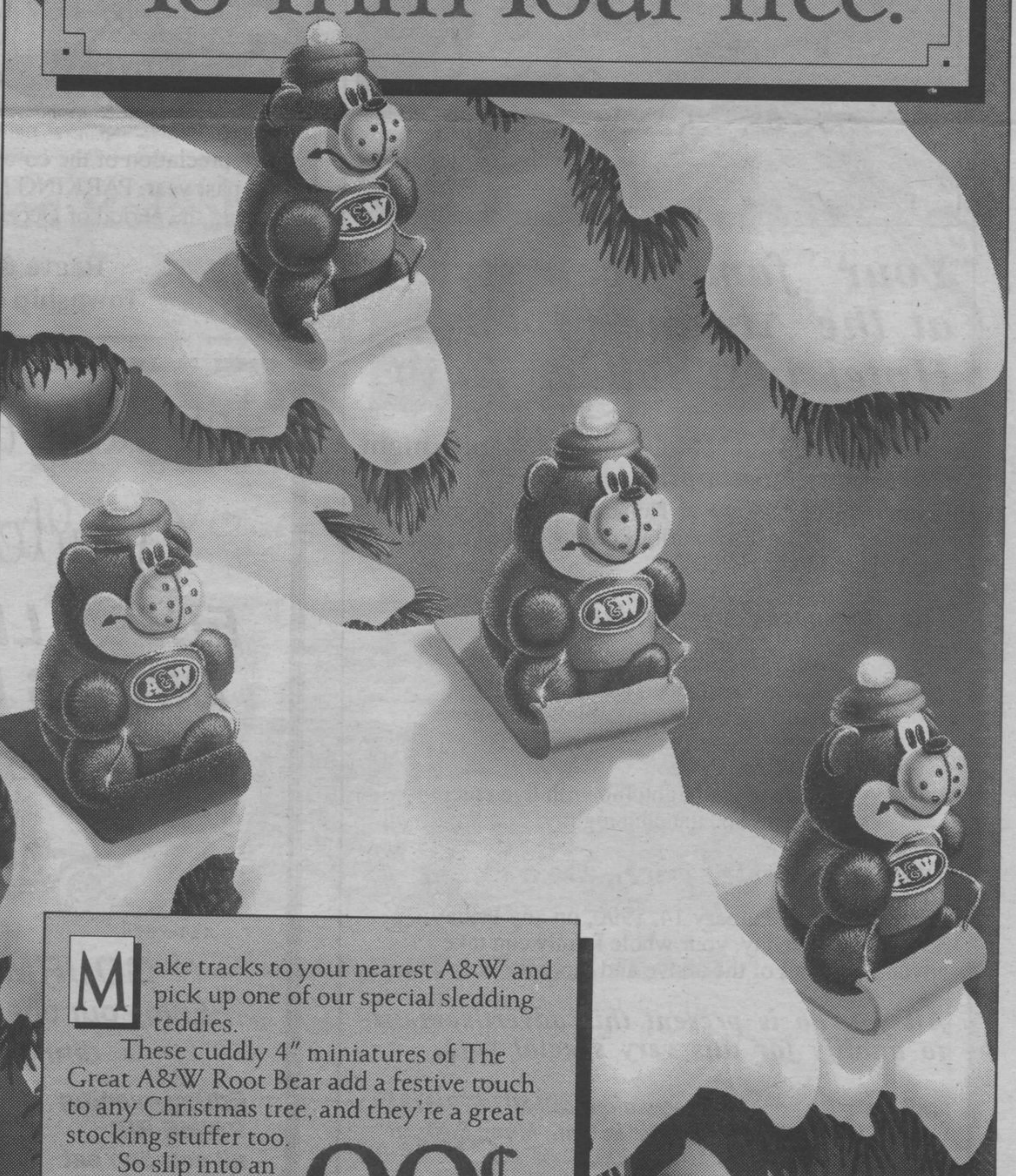
"How can we (adults and teens) be most helpful to each other?"

"How can we assure each person increasing opportunity to develop as an individual, and as an active participant in a Democracy?"

If you have any thoughts about the youth in your community, or have a story of your own you would like to share, speak with another parent in your community or call me at 824-2867.

Some parents are presently meeting at the Terrace Bay Rec Centre. More information is available if you are interested.

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**Thursday at 5 p.m.**

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