Franchises: An Option for Business Owners with Disabilities

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Franchises are quite popular and may be an option for business owners with disabilities. Mike Powers, author of How to Open a Franchise Business, says that about one-third of today’s franchises are owned or co-owned by women and about one-tenth are minority owned. Franchising offers a good opportunity for potential business owners with disabilities—especially with careful planning, investigation, and an adequate financial base.

Benefits

In How to Open a Franchise Business, Mike Powers says that franchises have a greater chance of success than either purchased businesses or those started from scratch. Franchises offer a proven type of business, people patronize them because their products are recognized and trusted, and they have a larger customer base because of name recognition.

Many franchisors also provide training in starting, running, and marketing the business; training for updating the skills of franchise owners and employees; supply record keeping systems; and conduct advertising and marketing campaigns on behalf of all franchisees. Some sell supplies to franchisees at reduced costs, and some can finance or arrange financing for franchisees.

Drawbacks

As with everything, franchising has a downside. Franchises tend to require more research than starting a business from scratch because both the market and the franchise itself need to be evaluated. Generally, they are more expensive to open than other new business, typically requiring an investment of $20,000 or more. Many cost quite a bit more—in the $100,000 to $300,000 range.

The franchise owner answers to customers and to the franchisor and must operate his or her business according to the terms specified in the franchise agreement. This may mean that the business’s location and exterior/interior design, product mix and prices, work attire, and advertising are under the franchisor’s, not the franchisee’s control. The franchisee may be required to regularly file financial reports and be subject to inspection and audits. Also, the franchisee makes regular payments to the franchisor.
Development Steps

In a franchise arrangement, the franchisor and franchisee develop a binding agreement that is renewed periodically. There are many steps to take before this occurs and the business opens. Most are the same steps involved in opening a business from scratch and none should be bypassed. They include:

• Research industries and types of franchise arrangements for those industries
• Conduct a self-evaluation
• Identify and evaluate possible franchisors and their franchise systems
• Evaluate franchisor’s products
• Contact and visit other franchisees
• Identify the market and evaluate its income potential
• Identify opening and operational expenses and develop income projections

Because franchise agreements are written to protect the franchisor, the prospective franchisee should hire a lawyer with franchise expertise. The lawyer will explain and negotiate the franchise agreement and may recommend changes. He or she also can provide expertise on state and federal regulations, negotiate and develop leases, and deal with any other legal arrangements required for opening a business.

Hiring an accountant is also a good idea because the financial statements and reporting requirements for a franchise usually are more complex and rigorous than those for a from-scratch business. The accountant will prepare financial statements, evaluate business costs, and work with the franchisor’s accounting system.

Resources

For books search Amazon use the work “franchise” in your search. There are a variety of books that provide detailed discussions, tips on franchising, pitfalls, the purpose of the franchise offering circular, rules and regulations governing franchising, and discuss the franchisor/franchisee relationship. Also use your search engine using words like franchise, franchise problems, franchise opportunities, franchise review or any similar terms.

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