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“Owning a business – is Franchising right for you?”

When looking at employment options, prospective business owners often begin by weighing the advantages and disadvantages associated with staying within the traditional job market and becoming self employed. Successful entrepreneurs possess the skills required to leave the advantages of being in the traditional job market which often include: security, predictable salaries, health insurance, retirement benefits, and advancement opportunities. They are looking to get away from the risk of job insecurity (layoffs/downsizing), minimal salary increases, shifting healthcare costs for employees, reduced retirement benefits, and decreased advancement opportunities. True entrepreneurs are looking for the independence of being their own boss, making their own business decisions, benefiting from their own hard work and dedication, expanding their earning and growth potential while achieving the satisfaction of running their own business. Simultaneously, they are contemplating the challenges of being their own boss which include: potential for business failure, long hours, unrelenting responsibility, time away from family, and stress.

When looking to start a business there are typically three options available: starting an independent business, purchasing an existing business and owning a franchise. One of the most widely successful business opportunities is becoming a franchise owner. It is proven that franchises have a higher success rate than most newly formed independent businesses. In the first year of operation alone, only 60% of independent businesses are still functioning where as 97% of franchises are thriving. Looking farther into the future at businesses that have been open for five and even ten years, only 18% of independent businesses are operating as compared to 90% of franchises. The reason for their success is that most franchises have proven models and offer quality support mechanisms for running a business.

A franchise is simply a successful business that has been replicated to allow owners the ability to share brand identification, proven marketing and distribution systems with ongoing training and support mechanisms. It is reported that over 900,000 franchised businesses representing over 100 business lines operate in the U.S. while employing upwards of 11 million employees. In fact, one out of every twelve small businesses is most likely a franchised business. Franchised businesses produce \$881 billion in sales annually and offer their owners income potential of between \$75,000 and \$125,000 annually. A franchise owner will often choose from operating a single or multiple unit franchise, area defined development franchise, or a master franchise. Determining which option to choose involves closely mapping the franchise style with an entrepreneur’s short-term and long-term goals. The structure of a franchise offers a business owner several of the following advantages: proven business model, established product/service, buying power, brand name recognition, territory exclusivity, and even financing options. The most important advantages to a franchise are obtaining assistance with starting up and gaining ongoing support with management, training and distribution.

When the decision has been made to pursue a franchise, a business owner will typically find themselves navigating through three important steps. The first step involves establishing a relationship with a franchise advisor. A franchise advisor may be an individual or a firm that has experience with various franchised organizations and specializes in coaching a business owner through the process of becoming a franchise owner. The advisor will help an owner analyze their lifestyle needs, outline their business and personal goals, understand their current financial position, and help select a type of business to pursue. A qualified advisor will also aid in the overall research of applicable franchises that may meet the owner’s needs. The second step is to begin conversations with a franchise which will include a detailed interview with the franchise and various existing franchisees. The prospective franchisee will be given a UFOC (Uniform Franchise Offering Circular) which is a regulatory document describing a franchise opportunity. A business owner will receive the UFOC prior to making any financial commitment and use it to help understand the details of the entire franchise. After consulting an attorney, accountant, and a banker, the business owner will most likely attend a discovery day which is offered by the franchise at their headquarters. The discovery day will arm the business owner with greater detail about the franchise and will usually serve as the owner’s deciding factor to move forward. Once the decision is made to move forward, a franchise agreement is negotiated between the franchise and the franchisee. The franchisee will now find themselves moving into the final step of becoming a franchise owner. The franchisee may now look to finalize financing, make capital investments, attend franchise training, assemble a staff, and open their business.

If you have an entrepreneurial spirit and long to enter the world of owning your own business, you may find that a franchise opportunity may be your best option. Please contact me by email at bhessing@p-s-b.com or by phone at 309-693-9494 if you have any further questions about your business.



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