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Starting as a Franchisee in the Current Recession

The year is 2009. The country is in the grip of recession, unemployment is rising, redundancies are taking place and there is an increase in business failure numbers.

So this is a great time to start your own business as a franchisee!

That statement may seem counter-intuitive. However, for those not weighed down with pessimism, the current situation can be seen as an opportunity instead of a problem. There is an opportunity to take advantage of lower rents and cheaper premises, lower interest rates and offers and deals from suppliers. There are many successful businesses now that started in the last recession, when they took advantage of lower set-up costs and the chance to take customers from struggling businesses.

In addition, with weaker competitors leaving the market, there is an opportunity to gain market share by offering quality services or products and increasing marketing instead of decreasing it as many businesses are doing. The combined effect means that there is a chance to gain a profile much higher in the current market than would be the case in a crowded, affluent market.

The first few years of most businesses are more about establishment and paving the way for a strong future than about instant riches. With the support of a good franchisor, it can make sense to do the set-up in a time of lower costs and position yourself ready for the better times ahead. If you can make profit in a recession, then your chance of success in good times is high and you could then reap the rewards for your hard work and foresight.

For those of you unfortunate enough to have been made redundant, or even those who are concerned about their current employment, this can be the opportunity to take control of your own career and ensure that in the future you are less reliant on others for your income. It might not be such a good time to start up a risky or untested new venture, but by becoming a franchisee, you will be able to use your franchisor's systems, support and training and share in the larger brand name.

There is of course a need for some caution. It is more important than ever to evaluate your potential franchisor and its business carefully. Franchises are surviving the difficult times to different extents. It is essential that you evaluate current financial performance of any franchise, including checking franchisees' performance and ensuring that your franchisor is financially stable and economically viable. It would not be surprising for any franchise to have revenue or profits that are currently lower than in previous years, but you should ensure that becoming a franchisee is at least financially viable.

In addition, you need to ensure that you have sufficient personal funds, or access to reasonable cost lending, to pay for initial fees and set-up costs and to give you enough working capital until your new franchisee business is self-sufficient and profitable. The banks are still willing to lend to good franchisees, and indeed tend to have more favourable terms than for other start-up businesses. You should talk to the specialist franchise departments of the banks to get more information.

Finally, to make a success of your franchise in a recession, you will need to be willing to work hard, follow your franchisor's systems, be brave in your decisions, and above all maintain optimism. As Winston Churchill famously said: "A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty".

The opportunity is there, it is up to you to seize it!