Making an Effective Business Plan for Franchise by Francis Pryor

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For most companies, franchising their company is a big decision and a major change in direction. The good franchise systems are ones that plan appropriately and put together the pieces before they get into this game. So, good franchise endeavors have great franchise business plans in place.

For a franchise expansion program, the business plan sets the stage. It literally acts as the foundation upon which the house will be built. Everything in the franchise program should have uniformity and continuity with what is defined and determined in the franchise business plans.

Franchising is about taking advantage of all the available market opportunities. It will be extremely critical to have an ongoing support program for the people who have committed their futures to this franchise organization after the franchisees have been established. Good business plans clearly identify the training programs, processes and materials that will be used to get franchisees up and running and then to keep them happy and successful once in the system. Hiring management and support staff comes with this. The franchise business plan should clearly identify who, when and what role they will fill in the franchise organization. The type of business will dictate how many people and at what times in the franchise expansion they should be brought on board.

The business plan should have details on the costs a franchise would bare and in turn the support the franchisor would provide. Details on the franchise fee, the royalty component, national and local advertisment requirements and other such aspects must be clearly specified. It is of utmost importance that both the franchisee and the franchisor have a clear notion of what is expected from them to avoid any confusion in the future.

Franchise tax is another issue that deserves due consideration. It is important to know the local slabs of sales tax, property tax, and withholdings tax etc. Further, how the franchise arrangement is structured and the existence of treaties between the countries involved may have considerable influence on the structure adopted.

Where the franchisor receives royalties, service or franchise fees, franchise tax has to be paid, whether the franchisor is an Indian or foreign company. In calculating the amount of tax payable by the franchisor or the franchisee company, the deduction available in tax laws can be important for tax planning purposes. However, the tax depends on the type of franchise, the product of the franchise and unit locations.

Finally, a complete set of pro-formas and financials should be established to define the return on investment for both the franchisee and the franchisor. In order to raise capital, this can be used as an investment tool, and most importantly as a road map for running and operating the business profitably with the growing system.

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