For First-Time Franchisees: Think Like a Multi-Unit Franchisee From the Start



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Many first-time franchisees start to investigate the franchise business model by looking at concepts they can run themselves. In other words, they initially investigate single-unit, owner-operator franchise models. But a "one-unit mindset" can be both self-limiting and can actually create blind spots when it comes to evaluating franchise opportunities.

Instead, start your franchise due-diligence and initial business planning with a multi-unit owner mindset even if you ultimately buy only a single location. This will help you avoid weaker concepts, reveal the best options for wealth-creation and may even cause you to consider new and more

interesting franchise opportunities.

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Thinking big really means planning for big at the start

Franchisees who plan to own multiple territories also plan from the beginning to build the right team. Once that team is trained and in place, they can focus more on growth initiatives, creating a great work culture, removing obstacles and constantly recruiting new team members to support growth.

In contrast, owner-operators often initially put themselves in that daily management role. They often have trouble lifting themselves out of that role later. Either they run out of time and energy to rise above that role and replace themselves with a manager or shift leader, or they settle into a comfort zone of "busy." Initially, they may enjoy the pace and hands-on involvement – it's very tactile and "real." But this isn't how you build a big business. Eventually, you need to delegate and empower your team.

Some new owner-operator franchisees may even omit manager and shift leader salaries in their early budgeting to "save money." This is a mistake. Owners who are too mired in daily activities don't have the time to focus on long-term growth. This approach starves the business and burns out the franchisee.

Think big from the start. Create a business plan and budget that keep you out of the front-line position or allow you to hire a manager within no more than six months of opening. Many franchisors that sell multi-pack licenses actually require tight new unit opening schedules to keep new franchisees from getting too entrenched in daily operations. They want franchisees to stay focused on building a successful multi-

unit footprint and always thinking about the path to open their next unit.

Pressure test the unit level economics of each franchise you consider. Can you actually afford a manager if you're running at the system average revenue? What level of revenue is necessary to cover your costs inclusive of a manager or shift leader, and how long does achieving that threshold take? What profit is left over? If costs increase, can you raise prices to cover, or will that manager role get squeezed out? Make sure there is enough head room in the model itself before you move forward with your due diligence. The last thing you want to do is leave the corporate grind to get stuck in a franchise grind.

However, if you're stretching your staffing budget assumptions because you're under-capitalized, then back up. Consider raising more capital before starting your business, or find a less capital-intense franchise model. They are many interesting franchise concepts with low start-up costs that are worthy of your consideration.

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Is the franchise concept attracting other multi-unit operators?

It's often a positive sign when more than 50% of the locations in a franchise system are owned by multi-unit franchisees, especially if those operators continue to reinvest in growth by accumulating territories over time. As you interview franchisees during the validation phase of your due diligence process, ask about their expansion plans. Are they eager to add new locations or acquire units from retiring owners? How are they building their team to allow for continued expansion? Why is this franchise worthy of their expansion capital and

effort compared to other investment options? Their answers will be revealing.

In comparison, if you're using an owner-operator mindset, you may not even be thinking about future expansion. This may extend to how you're self-identifying. Do you "see yourself" as a multi-unit large business owner? Or do you feel more "comfortable" talking to owner-operators? Any parent can tell you that a child's peer group can have a massive impact (positive or negative) on that child's activities, self-image and trajectory. That's one reason why entrepreneurial parents often raise entrepreneurial children. If you envision yourself as a single-unit operator, you may gravitate toward single-unit franchisees for validation and miss talking to big multi-unit franchisees with great insights to share. It may even drive you to favor an entire franchise system filled with owner-operators.

Why are you investing in a franchise in the first place? What are your objectives as a business owner? If you're only looking to replace income, you run the risk of buying a job and self-selecting a potentially weak franchise. Some owner-operator franchises aren't built to effectively scale. Even if you start with one unit, preserve your future growth options! Really poke at the business case and understand the potential for you to build substantial business scale. If others already in the system haven't successfully scaled up, that's a red flag. The only exception to this is franchise concepts that are marketed and purposely designed to be work-at-home, part-time or second-income businesses. But if the franchise opportunity is marketed as a full-time business, and there isn't evidence that franchisees eventually build scale, then there's a disconnect.

If you're considering a franchise with a high concentration of single-unit owners, ask questions to understand how the brand got there. The entire franchise industry, more than 54%, skews multi-unit, and that's because real wealth-building in

franchising is usually based on multi-unit ownership. It's also because consolidation yields cost and efficiency benefits. Team resources can be shared, and a meaningful local brands presence can be created via multi-unit franchising.

Before buying into a system with high single-unit ownership, you need to dig and figure out how the system bucked franchising trends and ended up with a group of individual or small multi-unit owners. Is it such a high cost that franchisees find it difficult to expand? Has the system approved owners who were under-capitalized? Does the brand tend to attract franchisees with less experience? Does management truly believe that only owner-operators on the front line can deliver the best customer experience? Are systems not replicable enough to run the business through shift leaders or managers? Is the system immature and thus not attractive to multi-unit investors? How did the franchise end up organized this way?

Related: Some Franchises Prefer Recruits Who Want to Own More Than One Location. Here's Why.

Remember that strong franchise concepts are highly systematized. There are methods and playbooks for everything. This allows nearly all functional tasks to be taught and delegated. Then franchisees can focus on making sure the playbooks are being followed and customers get a great experience.

For many people, starting their own franchise business is a way to leave their corporate life behind. So, don't bring an employee mindset into your new venture. Bring an abundant, empire-building mindset to your new venture. Think like a multi-unit franchisee from the start.

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