Perfection Not Required

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In our role as a franchise consulting firm, one of the things we frequently see is business owners constantly trying to build a better mousetrap. They spend their days trying to refine their business model. They worry their business must be perfect before they consider franchise expansion, and they wonder if they can even hope to expand if they do not offer something that is perfectly different from everyone else.

While franchise systems must constantly evolve and become better, the simple truth is that no business is perfect. And while a systemized approach to business growth requires constant improvement of the business model, it also acknowledges that growth should not be delayed while waiting for perfection.

Perfection is the enemy of progress.

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Think, if you will, to one of the early founders of online retailing — Webvan. Founded in 1996 by Louis Borders, the founder of the brick-and-mortar Borders bookstores, Webvan planned to deliver goods and groceries to its customers in a 30-minute window of their choosing. And, in the middle of the dot-com boom, Webvan was able to raise nearly $400 million from venture capitalists and another $375 million in a public offering in 1999, providing it with what should have been plenty of capital.

But Webvan, trying to perfect their business overnight, burned through their money quickly, buying HomeGrocer for some $1.2 billion in stock, placing a $1 billion order to build warehouses, and buying a fleet of vans to expand into a planned 26 markets in three years. By spending all of its money on building the perfect internal infrastructure – instead of leveraging the warehouses and delivery services of others – it incurred huge bills, which among other strategic mistakes, ultimately contributed to its failure.

Amazon, by contrast, had a market value of $438 million when it went public in 1997, but instead of focusing on the much more difficult market of low-margin perishable goods, it focused initially on what many might think would be a strength of a business founded by Louis Borders – books. And instead of spending all of its money on creating its own ideal infrastructure, it initially acted as more of a broker – using the facilities and inventory of others to facilitate its growth. It was not until a decade later in 2007 that Amazon launched its foray into the online delivery of groceries and another decade later that it acquired Whole Foods. And it was not until 2018 that it bought 20,000 Mercedes-Benz Sprinter Vans to initiate its last-mile delivery service. Amazon's storied success was built not by focusing on ensuring everything was perfect on day one, but rather by being flexible and adaptable as the market changed.

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And perhaps, most notably, in 2011, Amazon bought the Borders Group out of bankruptcy.

How does all of this translate into assessing when a business is ready to franchise?

The key to success in franchising is not necessarily doing something completely new and unique in the marketplace and it

certainly isn't based on perfection. The key is in great execution. A strong franchise model that is well-executed beats a perfect system that is poorly executed every time.

On a related note, companies also often wonder if size matters when considering franchising. Does a company need five or 10 units in operation before it can franchise, or can it franchise with just one corporate-owned unit? It depends.

Five Guys wasn't the first hamburger franchise by a long shot. They had over a dozen units in place before they began franchising to assure they had all their systems refined and had a repeatable concept to take on franchising giants like McDonald's, Burger King and Wendy's.

Conversely, Massage Envy had only one unit in operation for only three months, when they started the franchise development process. Their goal was to expand rapidly because what they had was new and unique in the franchise marketplace. Obviously, with over 1,000 franchise locations now nationwide, they have achieved that goal in spades.

While perfection is not required, the decision to franchise must start with an honest assessment of the business itself. There must be a sound and profitable business at the core of every successful franchise. Smart decisions must be made in terms of necessary infrastructure and resources. Market conditions and trends must be evaluated. And while there are dozens of questions to be answered when making this assessment, in the end, it really all comes down to three core criteria for franchise ability. The franchisor should be able to duplicate the business, be able to sell franchises to qualified franchisees, and be able to provide franchisees with an opportunity to realistically earn an appropriate return on their investment in the business.

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A concept does not have to be deemed perfect before franchising. It simply needs to be well-prepared and market-appropriate. Business owners need to understand that “perfection” is an ever-moving target that will never be achieved. So while striving for it is a key part of any successful business, it should not be a barrier to progress.

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