

What does it take to open a national franchise business?

With a national franchise, the entrepreneur pays for the business opportunity. In turn they gain a business advantage through name brand equity, i.e., consumers have been exposed to national marketing for the franchise and the entrepreneur will have a known product to offer and will not spend as much time educating the market about the business.

What does it take to open a national franchise business? This is a brief overview of what to expect in obtaining a national franchise.

Franchise requirements - Every franchise has its own set of requirements, and they can vary widely. It is important to understand the requirements of the franchise you may be interested in fully, so that you know what you are agreeing to. Examples of franchise requirements are:

- Minimum investment may range from \$100,000 to more than \$2,500,000
- Franchise fees may range from \$10,000 to more than \$100,000+
- Term of Franchise Agreement may range from 10 years to 20 years with renewal options
- Site requirements – franchisors will specify the site requirement and will often review the proposed community for the strongest possible location
- Past experience of franchisee – franchisors look for people with prior experience or specific skill sets

Needed by investor – A national franchise has invested a great deal of time and money into its product. It wants to be sure a franchisee is in the position to fully carry on its name and product. Again, investment by a franchisee varies widely, but examples include:

- Liquidity required may range from \$60,000 to more than \$ 1,000,000
- Net worth required may range from \$100,000 to more than \$1,000,000+
- Finance – need the ability to meet commercial banking requirements

Possible assistance and/or incentives available – Franchisees may want to investigate possible financial assistance from a variety of sources, including:

- City of Mandan – Mandan Intermediary Relending Program – gap financing program
- State or federal
 - Small Business Administration – 7A and 504 Loan Programs
 - Bank of North Dakota – Beginning Entrepreneur Loan Program
- Private investors – Investment group to meet the net worth and liquidity amounts
- Commercial lenders

What and who to involve – A franchisee will want to depend on his professional advisors to be sure everything is in place as he/she moves forward. Examples of this include:

- Business plan – A business plan is vital to the success of any business. The national franchise may assist with this, and there are entities in Bismarck-Mandan that assist with the formation of business plans.
- Attorney – It is important to be sure all legal aspects of the agreement are fully met from both sides.
- Accountant – The financial aspects of any business are important to its success, and beginning with a trusted accountant gets you off to a solid start.
- Personal banker – Your personal banker will be able to provide needed financial documentation and possibly working capital if necessary.

At the present time *there are several companies looking for entrepreneurs in this market* to take the risk. In addition, there are countless franchise opportunities to explore and determine if they are a fit for our community.

The BMDA has been in contact with a number of these and can assist you in pursuing them. To learn of specific opportunities available, or to inquire about a possible franchise you are interested in, contact Richard at the BMDA office at rmower@bmda.org or 701-222-5530.