

Developing a Franchise Business Plan

The idea that preparing a business plan for a franchise you have just purchased may seem absurd. After all, one of the reasons you elected to buy the franchise was that they are able to provide you with a turnkey business, including, you assume, the business plan. While the franchise offers all the elements necessary for operating the business, they most often do not provide a business plan. Insofar as they could never know the unique elements of your management, marketing or financing, the task of creating the business plan falls on you. You want to have one for your own operational planning and may in fact require one if you are seeking financing.

The development of a franchise business plan is not necessarily the same as a plan for an independent business because the franchise itself offers many of the systems needed to operate the business profitably. Additionally, the proven entity that is the franchise removes some of the need to demonstrate viability, although you most likely want to show viability in your specific geographical area and as regards your specific market.

Nonetheless, preparing a business plan for a franchise is simpler than an independent business plan because the franchisor most likely can offer the answers to most (if not all) the questions your plan is seeking to address. Certainly the operational and marketing questions are addressed in the manuals, and the financial questions are covered in the Uniform Franchise Offering Circular.

Specifically, the franchise business plan includes four critical sections. They are:

- The Operational Plan
- The Marketing Plan
- The Management Plan
- The Financial Plan

Let's review each segment individually:

1. The Operational Plan

The operational plan details a demonstration of your understanding of the nature of the business, the products/services sold, the systems used to sell them (provided by the franchisor and perhaps supplemented by you), and the protocol and processes engaged to operate the business.

The purpose of the operational portion of the business plan is to demonstrate how the business of the company is executed. You will want to include how you interact with the franchisor and your customers, how the product/service is delivered, and the systems for communications, accountability, goal setting, and execution timetables.

2. The Marketing Plan

The marketing plan illustrates the company's blueprint for raising awareness and creating interest in the company and its products. Insofar as you are dealing with a franchise concept many of the tools you need should be available to you. Nonetheless, with franchisor approval, you may need to develop additional materials that better suit

the characteristics of your particular area. The intention to create such communications material should be included in the business plan.

The purpose of the marketing portion of the business plan is to map out how the marketing will serve to engage the market and create and sustain customer flow. You will want to include a description of the market, your targeted customer, the channels through which you will communicate, what portion of the market you believe you can command, strategies for growth, and how your pricing positions you in the market.

3. The Management Plan

Management is not only about the people who set the strategies, oversee or perform execution, allocate the resources, and make the decisions. Management is also about company vision and philosophy. It is leadership and your company's face to the market. As a franchise, you will need to integrate your vision of the company with the franchisor's, making certain adjustments to fit the national company's overview position.

The purpose of the management portion of the business plan is to provide evidence of competency and management systems. You should include the relevant sections (or excerpts from) the franchise management manual, strategic principles, tactical positions, and prevailing business models.

4. The Financial Plan

The financial plan proves the company is viable and can make money doing what it proposes to do. The plan, insofar as it is based on a franchise, can show the financial success of other franchises and of the franchisor's own operations as a way of demonstrating the anticipated success of your operation.

The purpose of the financial plan is to show the key elements of the company's fiscal operations. You should include the operational budget and whether you have the funds you expect to need or expect to raise or borrow the funds. Also included should be the anticipated costs and revenues in the form of cash flows and projections, so that you can show your path to profit and present a "funds schedule" that shows you will not run into shortages.

When you break down the term "business plan" it literally means the plan under which you intend to conduct business. The idea that buying a franchise absolves you of the need for a business plan is naïve and can prove to be fatally correct. While the franchise does offer the training and manuals that provide you with the know-how and tools to succeed, the business plan is the instrument through which you detail (for yourself and perhaps others) how you plan to leverage the information and tools the franchise gives you to establish and sustain success for your specific franchise.