

# Franchising as a Growth Strategy



More and more businesses are discovering the franchise model as a method for increasing sales and brand visibility through independent business owners. Over the past two decades, franchising has been one of the largest growth industries in our nation's economy, with a net annual economic impact close to one trillion dollars. Franchising is no longer just for roadside motels and quick service restaurants; today, companies are franchising their businesses in industries as diverse as mortgage brokerage firms, medical spa treatment centers, auto repair shops and veterinary clinics.

If you are thinking about growing your business, either within Las Vegas or on a broader (state or national) scope, you may want to consider franchising as a way to reach your goals. While most people have general knowledge about franchising from their experience as consumers, not many understand how it works. Simply put, a franchise is a license granted to an individual or business entity (the franchisee) to market a company's (the franchisor) goods or services in a particular territory using the franchisor's business systems, trademarks and methods of operation.

There are many reasons that businesses decide to franchise. Franchising offers the potential for rapid growth with a relatively low capital investment. Moreover, franchise companies retain a significant level of control over the use of their brand and system, while at the same time having the comfort of knowing that each location is being operated by an independent business owner that is highly motivated to maximize the sales and profits of the business.

A business is a good candidate for franchising when the company has a method of doing business or system of operations that is easily reproduced and can easily be adopted by others through training. It should have a proven track record of economic success with a unique trademark with a distinct identity – the “brand.” Indeed, many business owners begin to consider franchising when customers begin to ask about other locations and business opportunities with the brand.

Importantly, there are many legal considerations that go along with a business's decision to franchise its concept. Franchise relationships are regulated under a variety of state and federal laws and under the Federal Trade Commission's Franchise Rule.

Aside from having a well-written franchise contract, a franchise company is required to provide each of its franchisees with information regarding the franchise in the form of a “Franchise Disclosure Document.” As a result, it's a good idea to contact an attorney who understands franchising before taking your business to that next level.

Franchising is a powerful model that has a proven history of helping business owners and individuals to realize their dreams, but it's not for everyone. As a result, it is important to have a good understanding of how franchising works and what it will mean to your business operations before you take that leap. For further information regarding franchising, contact the International Franchise Association, [www.franchise.org](http://www.franchise.org), or visit my firm's website at [www.hollandhart.com](http://www.hollandhart.com).

*About the Author: Matt Kreutzer, an attorney with Holland & Hart LLP in Las Vegas, focuses his practice on franchising. Mr. Kreutzer assists companies in evaluating franchising as a possible growth strategy, and assists companies in establishing and developing franchise programs for their businesses.*