



# SHELTON & POWER, LLC

ATTORNEYS AT LAW

---

## Can it become a brand?

### Shelton & Powers' Top 10 Checklist

*By: Lynne Shelton, Esq.*

At Shelton & Power, LLC we are constantly asked whether we think a system can become a brand. Whether a business is franchisable depends on many issues. Below is our Top 10 checklist to determine whether your business could become a franchise system.

1. **Financial Security.** Franchising is a low cost expansion method compared to other methods; however the cost is still there. Franchisors need to ensure that they have the capital needed to roll out and maintain a franchise program. During the roll out there will be costs associated with legal fees, state registrations, manual creation, training costs and personnel. All of these fees must be planned for and secured prior to beginning the franchise process. These fees can range from the tens of thousands of dollars to the hundreds of thousands of dollars depending upon the size of roll out desired.
2. **Reliability.** Your business must be viewed in the public's eye as reliable. However, different people view reliability differently. You may be viewed based on your businesses publicity, awareness of the brand, size, sales or years in operation. If you are solid in all of these criteria, you will typically be viewed as a "reliable" brand.
3. **Reasonably priced.** You must be priced affordable to your target market. If the franchise requires a lot of extensive training, licensing, permits and assistance in opening the business then it should be worth more. However, if the franchise is a mall-cart type business selling jewelry, the pricing should reflect that as well.
4. **Teachability.** You must be able to teach your franchise system to others. This includes having documented systems, effective training and thorough training manuals. These techniques must be able to relay the business practices, procedures, and policies in an easy to use format.
5. **Solid Management.** You must have personnel with adequate experience at the management level. Delegation is critical. You must exhibit a depth of expertise in your field. You cannot be bogged down with the small details. This is one area that the owners cannot handle it all. You may have been able to start your business by yourself, but you cannot expand through franchising by yourself. If your company has not grown enough to have delegated specific duties to each area of franchising, you will be better off waiting to launch the franchising aspect of your business until you have grown enough.

---

LYNNE D. SHELTON, ESQ.\* †  
202 WALTON WAY, STE 192  
CEDAR PARK, TEXAS 78613  
(512) 535-0090  
FAX (512) 535-0084

[WWW.SHELTONPOWER.COM](http://WWW.SHELTONPOWER.COM)

JASON W. POWER, ESQ.\*  
POST OFFICE BOX 591  
MANGO, FLORIDA 33550  
(813) 625-9590  
FAX (214) 594-6533



6. **Differentiation.** Can your business be easily set apart from its competitors? It is crucial to be able to do so. Whether it is through cost of the franchise, the territories available, or through the products or services offered, your business needs to be sufficiently distinct enough to capture your market share of the industry.
7. **Flexibility.** Can your brand be taken from one market to the next? Evaluate the type of service or the type of product that your business offers. Some products are not easily adaptable to other geographic areas. Think of how hard it would be to sell beach chairs to customers in middle Canada. Or think of how customary it is to see food carts on corners in Europe, but are almost non-existent to middle American cities.
8. **Industry conditions.** Is the industry growing or consolidating? What impact if any does this have on your business? How many competitors do you have? These factors must be addressed to enhance the successfulness of the franchise system wide. You must have a market plan of attack relying on tip number 6 above.
9. **Return on Investment.** Your franchise must offer a solid return on investment to the franchisee. Profitability is always relevant and must be measured accurately. If you cannot demonstrate that the prospective franchisee has the ability to receive a solid Return on Investment, you do not have a brand that will be successful. Most successful systems achieve a 15 to 30 percent ROI.
10. **Franchisee Commitment.** You must be committed to creating a long term commitment to your franchisees and the franchise system. Strong business relationships between you and your franchisees will feed off of each other. You will find that the franchisees will want to assist in making the franchise system better and stronger if you put forth the effort and commitment to continually add to and support the franchise system. The goal is to always be working within a win-win scenario.

Determining whether your business can be franchised is a deeply detailed and personal assessment that should be completed with an experienced franchise attorney. You must strive to set up a winning franchise for the franchisee, as well as for yourself. Remember; without the franchisees you do not have a franchise system.

If Shelton & Power, LLC can be of assistance, please call us at any of our offices.

©Shelton & Power, LLC (2009)

[info@SheltonPower.com](mailto:info@SheltonPower.com)

---

LYNNE D. SHELTON, Esq.\* †  
202 WALTON WAY, STE 192  
CEDAR PARK, TEXAS 78613  
(512) 535-0090  
FAX (512) 535-0084

[WWW.SHELTONPOWER.COM](http://WWW.SHELTONPOWER.COM)

JASON W. POWER, Esq.\*  
POST OFFICE BOX 591  
MANGO, FLORIDA 33550  
(813) 625-9590  
FAX (214) 594-6533