

Is Franchise Conversion Right for Your Sign Business?

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Weigh the pros and cons before deciding to convert your sign shop to a franchise. *Franchising can sometimes come across as the “F” word in the sign industry. For many independent sign shop owners, the thought of having to give up the way they’ve been doing business for years to fit the mold of a franchise is a disliked idea to the say the least.*

But that isn’t to say that franchising is entirely bad. In fact, the option to convert can offer existing sign shops numerous benefits including brand recognition, reduced fees, and a support system.

*Guest blogger **Rhonda Sanderson** of PR firm Sanderson & Associates has laid out the pros and cons of converting to a franchise. No matter what camp you’re in on the matter, if you’re considering converting, this easy-to-read list will hopefully simplify the decision of whether or not becoming a franchisee is right for you.*

Franchising is a \$1.53 trillion industry. While economic recovery inches along, franchising continues to grow steadily. An estimated 194,000 new jobs are expected to be created by the end of the year, according to the 2011 Franchise Business Economic Outlook. While franchising presents many attractive opportunities, the thought of converting your independent sign business into an already-established franchise can be scary—that’s why many questions must be asked before you decide to make the change to becoming a franchisee.

Ask yourself if you’re ready to trade in your personal business model for a new one. Most independent owners of sign businesses are proud to be independent, so becoming part of a franchise system means being ready to embrace change and start thinking about doing it someone else’s way. The willingness to be a team player and having the drive and desire to

succeed are crucial to one's success as a franchisee. You must be prepared to learn, follow, and ultimately embrace someone else's proven business model and systems. Though many franchisors give franchisees a certain amount of flexibility to personalize their operations, it must be understood that the system is in place for a reason—those who follow it typically succeed while those who don't will struggle.

The benefits to converting a sign business to a franchise can be very attractive. Along with group support comes instant branding and marketing opportunities, a stronger Internet presence, access to the newest technology, and quick cash-flow. You can also keep your longtime employees on board when you convert to a franchise.

Becoming part of a franchise means an opportunity for someone to be in business for themselves, but not by themselves. While franchise conversion may be an excellent opportunity for some sign business owners, it might not be a good fit for all. Here we weigh the advantages, disadvantages, and potential challenges of converting to a franchise, so that you can better decide if conversion is the right move for you. If you want more information on opportunities for conversion, major franchisors FASTSIGNS and SIGNARAMA will be at the West Coast Franchise Expo in Los Angeles Nov. 4-6 at the Los Angeles Convention Center to answer questions and provide information for prospective franchisees.

Advantages of Converting to a Franchise

- ***Existing sign businesses often qualify for incentives that new franchisees don't.*** Franchisor SIGNARAMA, for example, offers an "Upgrade Program" to all existing sign companies that convert to a franchise owner. The standard fee for new franchisees is \$42,500, but existing sign company owners pay only \$22,500. They can get started for as little as \$5,500 down. They also have the perk of paying the balance of the upfront fee over a 20-month period by contributing half of their monthly royalty payment (\$2,520, or 6 percent of \$42,000) towards the franchise fee until it's paid off. FASTSIGNS, another sign franchise, reduces the franchise fee from \$34,500 to \$22,500 for owners already operating sign businesses.

- **Brand recognition.** If you're struggling to make a name for your sign business (or even if you are already established in the community), conversion can be an excellent way to help your business gain instant name recognition without having to spend thousands of dollars on branding. Brand recognition can immediately boost traffic and sales.

- **Mass marketing and advertising.** The franchisor uses effective marketing techniques that can have a significant impact on business, whereas marketing is an area where many individual businesses struggle.

- **The conversion franchisee has an existing base of business.** This is a benefit for the franchisor because it means increasing market share for the franchise brand at a rapid pace. But by letting the franchisor benefit by your existing customer base, you are also getting many benefits in return.

- **Keep your existing customer base.** Let your customers know that while the name of your business has changed, your level of service is only going to improve. Personalize your franchisor's marketing materials to educate potential and long-time clients about the changeover.

- **Keep your existing employees.** Your loyal employees already know the sign business well, so when you convert, you already have the advantage of a knowledgeable pool of workers. Make sure you keep open lines of communication between you and your employees so they understand what's happening throughout the conversion process. Remember that honesty is always the best policy. By allowing each staff member to have some input in the

decision-making process, they will feel the conversion is truly a joint venture and will develop even more of a vested interest in the future success of the company.

- ***Ongoing support from the franchisor.*** One of the biggest perks of being a franchisee is the reliable support that can always be counted on from the franchisor. Franchisors are there to offer guidelines and expert knowledge about all the important facets of a business. They are also there to help with any problems that the franchisee is unable to address on their own.

Disadvantages and Challenges Associated with Conversions

- ***Prospective franchisees must be prepared to pay the upfront start-up costs.*** All franchises require an up-front investment, but the monetary commitment doesn't end there. There are a lot of factors—rent, equipment, transportation, and staffing, to name a few—that are not included in the initial fee, so be sure to account for the extras when planning your budget.

- ***Being prepared to embrace a new business model.*** Joining a franchise will inevitably introduce change into the way you do business, so prepare your staff and be ready to act accordingly. A prospective franchisee must be prepared to let go of old habits and ultimately embrace someone else's proven business model and systems. Make sure you choose a business model you can work with. Although many franchisors give franchisees a certain amount of flexibility to personalize their operations, it must be understood that the system is in place for a reason.

- **Location issues.** Franchisors have planned the demographics of where they want to expand. If the current location of your business doesn't meet the needs of the franchisor—for any number of reasons—they may turn down your offer.

- **Having realistic expectations.** Know that your business isn't going to make a sudden transformation the day after you convert into a franchise. Make sure that you and your employees have an accurate understanding of the timeframe involved in the change, which can often take months or longer in a poor economy.

- **Technology.** Many franchises, including those in the sign industry, are heavily reliant on technology and equipment, which change rapidly. This can be a pro or a con. The positive aspect of technology is that franchisors keep abreast of changes on behalf of franchisees so business owners can focus on their customers. On the other end of the spectrum, the independent business owner might already have his or her own technology in place, and it might not be compatible with what the franchisor uses. Switching to a new operating system and upgrading to new technology can be pricey and time consuming.

Franchising is an attractive business model for many reasons. A good franchise relationship should produce a win-win situation for the home office and the individual business owner. The new franchisee is put at ease knowing he or she can now enter the marketplace with a business that has proven itself from day one, by using marketing plans and other operational systems to grow and prosper. It can also be a beneficial situation for the consumer, who can trust the products because of widespread brand recognition associated with the franchise.

But with any business opportunity, there are financial risks associated with starting a new venture. Weigh your financial responsibilities and the necessary time commitment required to become a franchisee before you decide.

If you want more information on franchising for independent sign businesses, readers of *Sign Builder Illustrated* are invited to attend the West Coast Franchise Expo in Los Angeles free of charge. The Expo is the prime place to explore viable business investments and speak with top-level executives in the sign industry about turning your business and career around—even in recessionary times. For more information on the Expo, visit <http://www.wcfexpo.com/?source=GPSBD>

SIGNARAMA, an exhibitor at the Expo, has almost 900 locations in more than fifty countries. Over the next five years, the franchisor is expected to open up to 150 additional locations all over the world. During the past two years, seven independent sign companies have converted to the SIGNARAMA franchise. For more information, visit them at the Expo or go to www.signarama.com

FASTSIGNS, another sign franchise exhibitor at the Expo, has more than 530 locations in eight countries and expects to open up to forty-five additional locations over the next five years in the US, Canada, Saudi Arabia, and other countries. FASTSIGNS representatives will be at the Expo to introduce their business model to independent, small business owners of sign companies that are interested in conversion. In addition to other markets in the US and beyond, FASTSIGNS also has more than sixty markets open and ready for development in California. For more information, visit them at the Expo or go to www.fastsigns.com .

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