

Keys to successful franchise business

UPM deputy dean highlights mistakes often made by franchisors and franchisees

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FRANCHISES might be a relatively safe route to becoming an entrepreneur, but one must not mistake it as a "surely profitable" venture, said Universiti Putra Malaysia (UPM) research and graduate studies deputy dean Associate Professor Dr Azmawani Abd Rahman.

"Entrepreneurs running a franchise face similar challenges as SMEs, including uncertainty of external factors such as economic downturn, changes in consumer preference, technological change, and legal requirements and enforcement," she said.

A franchise business has lower risk compared with a conventional business, as a business owned by a franchisor has been proven successful and well-accepted in the market.

"As such, entrepreneurs can bypass the market feasibility study and reduce the risk of consumer rejection," she said.

Both the franchisor and franchisee, however, have a role to play to ensure the success of the franchise.

Dr Asmawani, who is also Malaysia Franchise Awards 2016 chairman, added that frequent mistakes happen as many entrepreneurs expect success just because they are buying a franchise. Hence, the franchisor needs to be very careful in recruiting potential franchisees.

"It should not be merely about financial capability; it should also take into account their interest and



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passion in the business.

"The franchisee should be the one who will be involved in the day-to-day operation of the business.

"Most of the failures franchisees had were a result of management issues," Dr Azmawani said.

Secondly, a franchisee needs to maintain the product or service standards according to the franchisor's system.

"Sometimes, franchisees fail to comply with the system due to reasons such as trying to reduce operating and material cost, eager to try things out via trial and error, or a lack of outlet monitoring and man-

agement," she said, adding that this resulted in unstandardised and low quality products and services which would eventually tarnish the franchisor's reputation and brand name.

Dr Azmawani added that to grow the local franchise sector, which contributed RM26.8bil to Malaysia's gross domestic product (GDP) last year, businesses with a proven track record over the years should start considering franchising.

"Franchising is the fastest, most effective and productive way to expand a business.

"This is because business expansion via franchising uses the investment of another party, the franchisee," she said.

Franchise businesses are independently run by the franchisees and reduces the burden on the franchisor in terms of day-to-day operations, labour management, and overhead costs.

Meanwhile, franchisors can enjoy the economies of scale through bulk purchase of the materials and equipment to shared promotion and marketing costs.

She illustrated her point with examples of some local brands that have been successful such as The Manhattan Fish Market, Marrybrown, Smartreader and Poney, which proved that "Made in Malaysia" products were well accepted outside the country, especially in the South-East Asia region.

"In particular, the food and beverages sector has an added advantage because our *halal* logo is accepted and recognised globally," she concluded.