FRANCHISING

Buy a Brand

BY TERRY MONROE

Of the more than 145,000 convenience stores in the United States, less than 20 percent are franchised. That leaves nearly 120,000 stores that are either company owned or independently operated.

With the economic benefits that come with franchise ownership and the brand loyalty that guarantees consumer retention, owners and operators in the convenience store industry should consider franchise involvement as one path to financial success.

By purchasing a franchise, owners and operators buy a brand name — ensuring a proven infrastructure by which to operate — they experience buying power that keeps costs down and acquire a continuous customer base already familiar with the brand and the consistent delivery of its products and services.

As an owner/operator, buying into a franchise is beneficial because of the brand and buying power. Oil companies and suppliers already make better deals by selling to multiple retailers. In the same fashion, franchisees can buy cheaper than independent operators.

Facts to Know

▸ According to the International Franchise Association (IFA), a franchise is an agreement or license between two legally independent parties. That agreement gives the franchisee the right to market a product or service using the trademark and trade name of another business, and use of the operating methods to run the business. While the license also requires the franchisee to pay fees, it also requires the franchisor to provide rights and support.

▸ IFA describes two types of franchises. A *product distribution franchise* is one that sells the products and maintains the supplier-dealer relationship, but does not go so far as to use the complete business plan and method of operation. Meanwhile, McDonald's is an example of a *business format franchise*. In the case of McDonald's or 7-Eleven, the franchisee uses the products, services, trademark and complete method for conducting the business, including the complete business and marketing plans.

▸ According to a *CS News*/Claritas report of the top 100 convenience store companies, 7-Eleven, BP, Shell, Exxon and ChevronTexaco are ranked in the top five in terms of total franchises, but those five still only represent roughly 18 percent of the total number of convenience stores in the United States.

Growth Opportunity

People readily and easily identify with franchised food restaurant brands like McDonald's and Burger King, or distributed brands like Exxon. But in the convenience store industry, franchises are the minority. That means there is room for growth and plenty of opportunities for the multi-store operator and independent owner to acquire a proven business that brings with it an established customer base.

The bottom line is that franchises and their brands pull customers into a store. Imagine driving to your next vacation destination and pulling off the interstate for the night. There are two hotels to choose from: a Holiday Inn Express and Jim's Travel Inn. Which do you choose? Jim's Travel Inn may be the nicest hotel in the world, but, as a customer, you identify with the Holiday Inn brand and know what to expect when you stay there. Apply that same principle to the convenience industry. When there is a choice between a franchised 7-Eleven and Jim's Gas and Go, which do you think most customers will choose? ○

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