

What you need to know before investing in a food franchise

Venturing into new business opportunities, entrepreneurs continue being attracted to the tried and tested franchising concept, which can withstand the harshest economic circumstances.



Photo by Clem Onojeghuo on [Unsplash](#).

Andre Beck, sector head: Fast Food and Restaurants at FNB Business, says amongst all the franchise sectors, restaurants and fast foods continue to dominate market share due to increasing demand from consumers.

That said, despite the significantly lower failure rate of fast food franchises compared to other businesses, there are important factors that entrepreneurs should consider to increase their chances of success.

He unpacks essential questions an entrepreneur should ask when investing in a food franchise:

- **Is the brand widely recognised?** – competition for market share amongst fast food franchises remains high, with some brands outperforming others. Well-known and established brands are more likely to guarantee success, with the only barrier to entry being premium franchise costs.
- **Is it a healthy brand?** – consumers have become conscious about adopting healthier lifestyles, and prefer to support outlets that promote healthy food choices in their stores.
- **Are the products affordable?** - while food franchises often perform well in tough times, they also tend to experience a decline in sales as some consumers cut back on luxuries and eating out when disposable income is under pressure. As a result, entrepreneurs should consider the location of the franchise and whether their target audience will afford their products.
- **Can the business survive seasonal lows?** – some franchise brands experience seasonal lows and peaks, as certain periods of the year are busier than others, such as the festive season. The common challenge for entrepreneurs starting out is ensuring that operations continue, despite potential cash flow hurdles during quiet periods.
- **Is there enough support from the franchisor?** – executing a franchise concept can be challenging without

adequate support, guidance and mentorship from the franchisor. As part of the due-diligence process, it would be worthwhile establishing what type of support the business would receive as part of the franchise agreement.

“Doing your homework and thorough research is essential to successfully execute a franchise model and grow your business. Furthermore, speaking to various franchisees about their personal experiences can significantly increase your chances of success,” concludes Beck.

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