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Four Reasons to have a Business Plan in Franchising

Collaborations between businesses are successful only when they benefit the involved parties. Franchising is also a form of business collaboration.

Four Reasons to have a Business Plan in Franchising

DUBAI, DUBAI, DUBAI, October 1, 2022 /EINPresswire.com/ -- It is successful only when both the franchisor and franchisee stand to gain from it. And when we say gain in business, it is normally in financial terms or profitability. No franchisor or franchisee will ever choose to continue with a loss-making collaboration. But to realise the anticipated profitability, they must first plan and assess whether the expected or desired returns are achievable or not. This is done via a franchise business plan. It is a detailed and comprehensive assessment of business activities and performance in financial terms. And if this assessment has to be accurate, then no detail can be left out. There could be no room for the omission of any important element. Estimations have to be precise and based on realistic data. Having a faulty franchise business plan could be as taxing as not having one.

> DFX is a Management Consulting Company, especially for the B-C Sector. Empowering Retail & E-commerce businesses."
>
> *Nikhil Agarwal*

The significance of developing a robust business plan in a franchising business is elaborated in this blog in four simple and intuitive points. Here, we are not answering how to write a franchise business plan but the why of it.

Avoiding financial stress

The potential to produce the anticipated returns and profitability is the thriving ground of a business idea. Otherwise, there is no point in doing it. Experienced franchise business plan writers know that getting into franchising without sound financial projections and planning is too risky for both the franchisor and franchisee. This demands a good franchise business plan; a plan that is free from any half-based assessments. Inaccurate or incorrect projections become a serious cause of financial stress at later stages. When cows have started returning home, then it becomes challenging for the franchisor and franchisee to find time and space to mend the snowball of financial woes hurling at them. By then, it is usually also late to seek assistance from external [franchise business plan consultants](). Positive performance beyond the planning does not hurt. But when the numbers are headed south, then it becomes a cause of concern.

Control over finances

When there is a business plan, it becomes easier for both franchisor and franchisee to remain aware of the financial course of action that the business has to maintain. This can include even some of the routine but big financial decisions. A business plan covers financial forecasts and decision-making pertaining to payment of wages and salaries, credit cycle to be followed, inventory purchases, provision for debts, working capital management, creation of funds and provisions, etc. A franchise business financial forecast gives them better control over the inflow and outflow of funds. It makes businesses more disciplined in financial decision making. With planned and disciplined adherence to such plans, franchise businesses can keep their expenditures within the budget and fulfil their financial commitments on time. Of course, many unexpected expenditures emerge from time to time. But with planning, provisions for such expenses could also be made.

If there is no robust franchise business plan in place, it can get difficult to keep a check on expenditures. The same ideology applies to tracking and monitoring the anticipated revenue generation. If the revenues are below the target, then there is a scope to improvise and perform better in the next quarter or financial year. All these ups and downs can be brainstormed in a franchise business plan presentation.

Cushioning the business with funds and provisions

Both certainties and uncertainties are part of the future. While certainties can be planned for, it is not possible to fathom every uncertainty that lies in the future. The pandemic of 2020 and its impact on the business world serves as a good example here. Within a month or two, economies and businesses came to a sudden pause. It highlighted the importance of having funds and provisions in business to meet certain expenditures for some time to keep the business afloat. Funds and provisions are also useful as a part of regular financial management. For example, provisions for bad debts help businesses write off bad debts that have appeared in the books for long and chances of recovery are dim. We can also look at depreciation funds that help businesses replace old assets that are on the brink of breakdown. Funds and provisions act as a cushion for businesses in mitigating financial aberrations. Such financial preparedness also helps them in keeping their routine operations intact or going for external financial assistance. Accounting for funds and provisions to manage planned and foreseeable expenditures are [essential elements of a business plan]().

Accounting for inflationary trends and cost escalation

Inflation or the general rise in the price level is a routine feature of any economy. For businesses, it affects the cost of production and delivery of services. This hike is partially or fully passed on to customers. There are many direct and indirect expenses that businesses incur in the form of raw materials, salaries and wages, office supplies and equipment, purchased services, etc. These inputs are subject to inflation. There is nothing businesses can do about preventing inflation except preparing for it. Even a minor change in inflation could mean big at the company level. For example, if a supplier hikes the price of an input material by 5% per unit, the total bill increases by the corresponding figure. If a business decides not to pass on this burden to customers then this hike will have to be absorbed internally. Prudent financial planning demands that franchise businesses must take into account cost escalation and the impact of inflation in their business plan.

Making a franchising business work is a mutual responsibility between the franchisor and franchisee. Finance is a major reason why franchises fail. But with due planning, this reason can be tied down and used as a tool for leveraging the business. From avoiding financial stress to becoming financially planned and prepared in managing the franchise, a franchise business plan is a source of tremendous financial guidance and discipline.

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