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Look for sustainable growth in franchises for sale

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When looking at franchises for sale, it is important to consider whether the growth of the franchise system is sustainable. This is particularly true for fast-growing franchises, whose growth rate may be masking issues with their business fundamentals. In this article, Nigel Miller – Managing Director for Plus Fitness – discusses what you should look for in franchises for sale which have a fast growth rate and some of the things you can do to ensure you are making a good business decision. Plus Fitness is Australian owned chain of gyms that started franchising in 2011 and has today grown to over 120 locations across Australia.

Just because a franchise system is growing quickly today, it does not mean that this growth will continue into the future. When looking at franchises for sale, a good question that prospective franchisees should ask is what is driving a franchise system's growth and will this growth be sustainable?

Some franchise systems which initially grow quickly will peter out after 18-24 months. This is because in some cases this growth is driven by sales to new franchisees, and not necessarily from consumer demand. Look for franchises for sale whose growth comes from successful franchisees making a good turn over. When possible, keep a particular look out for franchise systems with a high volume of multi-unit franchises as this is an indication of having good returns; a single-unit owner who finds that business is good will be more likely to have the confidence and resources to open another location. At Plus Fitness, we started franchising in 2011, and have continued to grow strongly since. We are also

experiencing a growth of multi-unit owners, as more single-unit owners transition to owning more than one location as a result of their business doing well.

Another important consideration when looking for franchises for sale is the demand for the products that the franchise is selling. Is this demand going to be sustained in the future?

Franchises for sale that rely on fads and trends may find that once the initial enthusiasm for the product wears off, their customer base will diminish and this will then impact upon their turn over. If possible, look for franchises for sale where you can be assured of the continual demand of the product you will sell. This isn't to say that the franchise will not have to innovate or update its products to stay relevant, but it can provide a dependable foundation for you to grow your business into the future. At Plus Fitness, our product is fitness. While it's true that the fitness industry is also influenced by trends and fads, the core element of exercise is consistent; people will always want to exercise. While our gyms contain all the traditional elements – treadmills and weights, etc - we also incorporate leading industry fitness exercises, such as Cross Fit, to design a well-tuned product for consumers that will last into the future.

Finally it is always important to do your own research when looking at franchises for sale, independent to the information that the franchisor gives you. This is particularly the case with an established brand in a fast growing industry where an existing franchisee is willing to sell their location. A good question to ask in such as case is what are the reasons behind their willingness to sell? If the franchisee is not doing so well, ask what has caused that to happen. Look at the industry overall, the number of franchisees that are selling their locations, and the franchise's disclosure document. When examining franchises for sale, it will also be helpful to look at the franchise system's approach to mapping territories in order to consider local area demand for the product and competition from franchisees that are part of the system or from competing brands. Make sure that the franchisor has picked territories that are good for the franchisee, and not just for their business.

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