



## **The low down on starting a franchise**

If you are running a successful business, the prospect of replicating that success throughout the country, with a team of crack managers at the helm can seem very attractive, but franchising is hard work, and lots of planning is required to ensure it is a success.

### **Is your business suitable for franchising?**

The first thing to consider is whether there is enough of a profit margin available to make each branch profitable for both you and your franchise owners. If your own business is just scraping by, the chances are it won't be possible for franchises to meet the required margin – especially when you consider that potential profit will be a key deciding factor for interested franchisees.

The next thing to consider is whether your own business is successful. Franchising your businesses is not a magic wand to revive a flagging business; each franchise must be built on the experience and success of the main businesses, so if you are struggling, the chances are your franchises will struggle too.

### **Furthering your reach or creating competition?**

If you're lucky enough to be running a successful venture, the next thing to consider is whether there is room in the current market for further branches of your business. If you are already serving customers on a national level and hold a significant market share, it may be that there is little point in franchising as you will simply be competing against each other.

Conversely, however, if your franchise's success is based on reaching custom in your immediate area, franchising could open up a raft of new opportunities and bring in significant profits.

### **Great people or great business?**

Next, you should assess whether the success of your own venture lies in your products, services and business model, or whether it in fact lies with the staff behind it. If your exceptional business acumen is pushing the business forward while your world class sales team brings in sales, that's great, but it may mean the business isn't suitable for franchising.

Ideally, a franchised business should have processes and services that can be replicated effectively with minimal guidance, so ask yourself: is it realistic to expect to be able to do justice to the brand and win custom?

### **Cost effective or loss leading?**

If your franchise offering already faces competition in your sector, one area you will be expected to impress on is the equipment you offer potential franchisees and the price you ask for at sign up.

Ideally, you will be in a position to provide good quality equipment and tools as part of the package price, be that a sewing machine, printing press or laptop computer. The best approach is to research your competitors to establish what a fair price is and then design your offering based on your findings. Your final package should be a perfect balance of affordability and good value in terms of what you are offering.

### **Quick start guide or extensive training?**

To make a franchise chain a success, you will probably want to provide training to ensure that your new franchise owners are well versed in your brand and trading approach. Ideally, this needs to be achievable in a relatively short period of time (say one to two weeks) in order to keep costs down and get franchisees up and trading quickly.

If your business involves a great deal of complex processes and specialist knowledge, it may not be suitable for franchising. Alternatively, you may decide it is financially viable to franchise the simpler parts of the business, and keep the most complex service offerings confined to head office.

But whichever approach you choose, it is vital that all necessary knowledge is properly documented in an easy to use manual before you sign up your first franchisee. This manual shouldn't just cover business processes, it should offer a troubleshooting guide and effectively communicate the company ethos that has made it a success thus far.

### **Launch with a whimper or a bang?**

If you are convinced of the quality of your offering, the final piece of the puzzle to attract interested parties is your marketing plan. When faced with two very similar offerings, a potential franchise owner could be won over with the prospect of ongoing help in finding customers.

If possible, form a partnership with a marketing agency or public relations firm and aim to include a regional launch campaign as part of your start-up fee. This will help your franchise hit the ground running and make it profitable all the more quickly. You should also aim to offer stationery such as business cards and marketing material to help the franchisee self promote. Once you have several franchises, these costs should fall as you will be able to bulk order.

### **Are you ready for the paperwork?**

If you have considered all of the above, have done your research and are confident that your business can thrive as a franchised offering, it's time to get down to the nitty gritty and call in some legal advice.

Sit down with your solicitor and/or business adviser and consider the finer points. These will include factors such as how you are going to lease the right to the brand name and for how long, whether you are going to give each brand local exclusivity, the contract that will be formed and the

performance levels required of a franchise in order for them to be able to retain the right to trade under your brand name. This is not something to leave until the last minute as a hastily written agreement could land you in hot water at a later date.

### **Are you in it for the long haul?**

Finally, remember that franchising your business is unlikely to bring you overnight success, neither is it a way to breathe life into an ailing business. It is a way to replicate and profit from an already successful business model through hard work and ongoing commitment. But for all the hours you put in, with the right groundwork, it can certainly pay off.

### **About the Author**

Anita Brook is a chartered certified accountant and founder of Accounts Assist, an accountancy firm with national franchising opportunities. Visit <http://www.accountsassist.co.uk> or call 01327 856076 for more information.